TELUS™

effortless communication

1997 annual report

TELUS is all about what makes human beings truly and joyously unique: our intrinsic, boundless, insatiable desire and ability to communicate. We will act with absolute unity of purpose to become the standard by which outstanding companies are measured. We will be a company with uncompromising excellence in very area: customer service, personal and professional development, teamwork, and value creation for those who invest their time, their energy and their wealth. Ve will help people reach new heights by providing the friendliest communications products and services available anywhere. We will move from being one star mong many to being the brightest star in the constellation. We are the gateway to each other and to humanity.

TELUS™

VISION → **helping people through effortless communication**

key strategies

- → excellent customer service
- → a great place to work
- → we're all one
- → continuous improvement
- → growth

highlights

financial

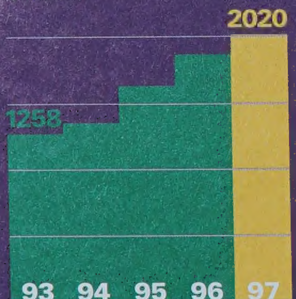
	1997	1996	change (%) 1997	change (%) 1996
income before extraordinary item (millions)	$282.0	$242.6	16.3	27.2
net income (loss) (millions)	$ (3.2)	$242.6	(101.3)	27.2
earnings (loss) per common share:				
before extraordinary item	$ 1.95	$ 1.70	14.7	25.0
net	$ (0.02)	$ 1.70	(101.2)	25.0
cash flow† (millions)	$785.4	$703.4	11.7	11.1

operational

access lines (thousands)	1,848.6	1,765.8	4.7	3.7
long distance minutes (millions)	2,139.4	2,034.8	5.1	(3.8)
cellular subscribers (thousands)	408.7	328.4	24.4	38.1

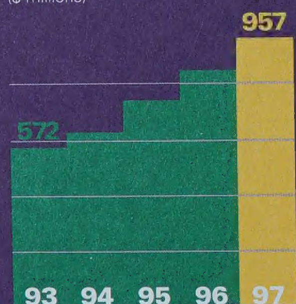
† Cash from operations before working capital changes.

revenue
($ millions)



Revenue increased by $160 million (9%) in 1997

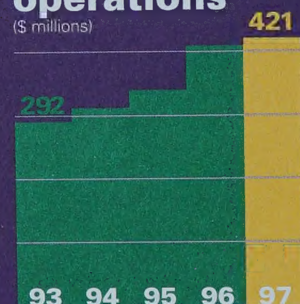
EBITDA*
($ millions)



EBITDA increased by $111 million (13%) in 1997

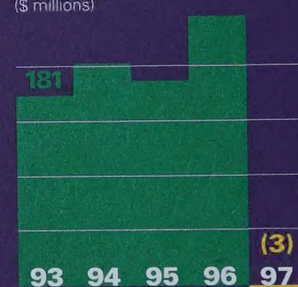
* earnings before interest, taxes, depreciation & amortization

income from operations
($ millions)



Income from operations increased by $13 million (3%) in 1997

net income (loss)
($ millions)



Net income decreased by $246 million in 1997

milestones

JANUARY Business sales groups across subsidiaries are unified into one cohesive force of 850 salespeople.

MAY TELUS partners with four Alberta educational associations to create the *TELUS Learning Connection™*, a project that will provide Internet training for 3,500 Alberta teachers. The goal is to have at least one Internet resource leader at every school in Alberta by the end of 1998.

MAY The CRTC approves TELUS Multimedia's application to run an interactive multimedia trial in the neighbourhoods of Lake Bonavista in Calgary and Greenfield and Rhatigan Ridge in Edmonton. Trial services include cable television, interactive television, movies on demand, pay-per-view events, games and high-speed Internet access.

JUNE TELUS introduces a price guarantee and announces its most competitive residential long distance savings plans, *Your Way™* Straight Savings, and the upgraded plan, *Your Way™* Plus Savings.

JULY TELUS opens four new customer service centres in Lethbridge, Red Deer, Medicine Hat and Grande Prairie. Designed to better serve customers in areas of high demand, the new centres offer residential service installation, telephone rental and sales, face-to-face customer service and payment of all TELUS bills.

AUGUST *PLAnet* Internet records its 50,000th customer and reaches the $1 million monthly revenue mark.

SEPTEMBER TELUS introduces *Power Home™*, *Power Home Plus™* and *Power Up™* business packages, which are designed to provide a total solution for a variety of business needs at a set price.

DECEMBER TELUS Advertising Services places Alberta's residential White Pages directory listings on the Internet at www.alberta.com.

contents

TO BE RECOGNIZED AS THE PREMIER COMMUNICATIONS COMPANY IN THE WORLD

onevision

letter to shareholders

It would seem that those who make the rules in the accounting profession have conspired against our presenting a clear picture of TELUS' 1997 performance. The accounting changes, however confusing they may appear, will enable us to produce future reports that are easier to understand and better describe company performance. The explanation of these changes appears in the management discussion and analysis section of this report on pages 32 to 44.

Let me describe the phenomenal year TELUS enjoyed in 1997, in terms that no accounting rule can disguise:

- Shareholder value grew 65 per cent, measured by share price growth and dividends.
- Net operating revenue grew almost 9 per cent to over $2 billion in spite of significant long distance price reductions.
- Cash flow from operations grew 12 per cent to $785 million.
- Income before income taxes grew 17 per cent to $323 million.
- TELUS Mobility improved its market share, as income from operations grew 50 per cent to $152 million and revenue per customer grew in spite of decline across the industry.
- Additional cash of $400 million was received from the sale of Telecential and ISM Alberta.
- Our year-end cash position grew from $76 million to $264 million.

In addition to the strong financial performance, TELUS' strategic platform was strengthened in a number of ways:

- A "vision package" was developed by TELUS' senior executive management outlining our vision, value principles, corporate aim and key strategies. The elements of this package can be found throughout this document. TELUS senior management led in-person discussions of this package with TELUS employees, with the result that it now provides a guiding light for our day to day operations and decision making.
- In support of our "Excellent Customer Service" key strategy, a commitment was made to greatly improve our customer access. To that end, high standards have been established regarding the length of time a customer has to wait before we answer the phone. We are also focusing on the means by which our subsidiaries work together to bring all TELUS services to the fingertips of each customer, and the ease with which our employees can access the resources of TELUS to satisfy customers. More progress must definitely be made in these areas, but I am convinced that proper steps are being taken to improve processes and employee training such that significant improvement will be realized in 1998.
- We drew a line in the sand in long distance price competition with our residential *Your Way* price guarantee and halted the loss of marketshare in that market. And with the introduction of our *Advantage Optimum** price and value package to business customers, we expect to halt the marketshare slide in that market as well.
- Final tests were completed for the CDMA digital platform for TELUS Mobility customers. We will be introducing digital cellular services in early 1998 that are superior in quality and coverage to anything available or being introduced to the market today.
- The number of customers for *TELUS PLAnet* Internet services more than doubled to over 68,000, and high speed ADSL service under

went successful trials in preparation for commercial service in the first quarter of 1998. These services, branded *PLAnet Extreme*™ and *BizExpress*™ are demonstrably superior to any widely available offer in the market today.

- The TELUS Multimedia trial got underway with 1000 customers in spite of difficulties with our digital set-top box provider. A new provider has been found and prototype boxes are currently undergoing tests. The CRTC investigation into our provision of this trial service is being handled in accordance with standard regulatory procedures and is not expected to impair the trial.
- A long-term incentive program is being recommended for TELUS executives that ties directly to shareholder value growth, as measured against other investment opportunities. This will ensure their compensation is even more directly tied to total shareholder return.

So where from here?

TELUS is well positioned financially and strategically to realize its rather audacious goal to "be recognized as the premier communications company in the world". But doing more of the things that produced today's results will not produce the long-term success to which we aspire. Consolidation and the formation of alliances in our industry are being announced almost monthly. Pacific Telesis and Southwestern Bell, Bell Atlantic and Nynex, MCI and Worldcom are probably the most prominent examples. Canada, with its nine provincial telephone companies and the relatively loose Stentor alliance that links them, cannot remain immune from this trend. Indeed, these developments must be understood and facilitated in Canada if we are to ensure our share of growth and prosperity in world markets.

So I believe that consolidation will also come to Canada, and the alliances and equity positions now in place will begin to change. No other item has received more attention from the TELUS Board of Directors or TELUS executive management than this issue. Our singular goal is to develop and execute a strategy that will take our superb position today and springboard to an even better one as viewed by shareholders, customers and employees. The TELUS vision package provides a strong, principle-based foundation for the execution of this strategy.

We are strong, in a strong province and a strong country. We are in the best industry in the world in terms of its growth potential and vital position in the global economy. But our industry and that global economy are in a state of rapid, almost chaotic change and we cannot remain aloof. TELUS is well positioned to pursue and seize opportunities for growth in this uncertain environment.

So I believe that the company I describe to you in next year's letter will be notably different from the TELUS of today. The basics will be the same, the core business will be the same, but our scope and position for the future will be different ... and stronger than ever before.

Stay tuned.

George K. Petty, President and CEO
February 10, 1998

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Telecommunications is central to the information age and the emerging knowledge economy. It is clear that our industry represents a gateway to one of the most exciting and challenging periods in human development. As a major Canadian player in the fast-paced telecommunications industry, TELUS expects and, indeed, presses for continued regulatory, competitive and technological change. In 1997 we welcomed two events which will be pivotal to the future development of the Canadian industry: the signing of a World Trade Organization agreement liberalizing basic telecommunications in the vast majority of international markets; and the decisions of the Canadian regulator to open the market to competitors in virtually every part of our business. Let me say, unequivocally, that TELUS is ready for the challenges of both domestic and global market-driven competition.

As the Board of Directors, we have three primary objectives. First, to enhance and preserve long-term shareholder value. Second, to ensure TELUS meets its ongoing obligations and operates in a reliable and safe manner. Third, to remain highly attuned to the interests of our many stakeholders and the multitude of policy and business factors - both domestic and international - that shape the world in which TELUS operates.

As I reflect on our responsibilities as a Board, I am struck by the challenge we all face to adapt, to act quickly with sound judgement, and to identify and move away from outdated practices and paradigms. The realities of globalization in trade, the pace of technological change and the immense potential of the information economy to further Canadian interests, encompass a set of imperatives.

Let me touch on two of them. First is the need for continued movement away from regulation across the full breadth of the Canadian telecommunications industry. The second is the need to address a number of emerging policy issues that affect Canada's ability to realize its objectives for the digital economy. Both are derived not only from the desire to preserve and enhance our Canadian way of life, but also from the realities of international developments that affect Canada more dramatically than ever before as a political power and an export economy.

It is widely accepted that telecommunications is a Canadian success story - a pillar on which economic and social progress has been built, and a central ingredient through which international recognition for our quality of life has been attained. As technology and competition drive the industry forward, this success story can and must continue. But, ironically, to continue our progress we must increasingly shed reliance on the very regulatory tools and policy protections that have brought us success as a nation thus far. Today, some of those regulations continue to impede the development of Canadian interests and ingenuity by holding TELUS and others to unique obligations. It is my view, that in an era of increasing global competition, regulation is becoming less effective and more costly - to all of us - than the natural balance gained through a dynamic, competitive global marketplace.

As Canadians, we must show the courage to leave behind the comfort of known policy and regulatory practices, in order to effectively shape and build a strong future.

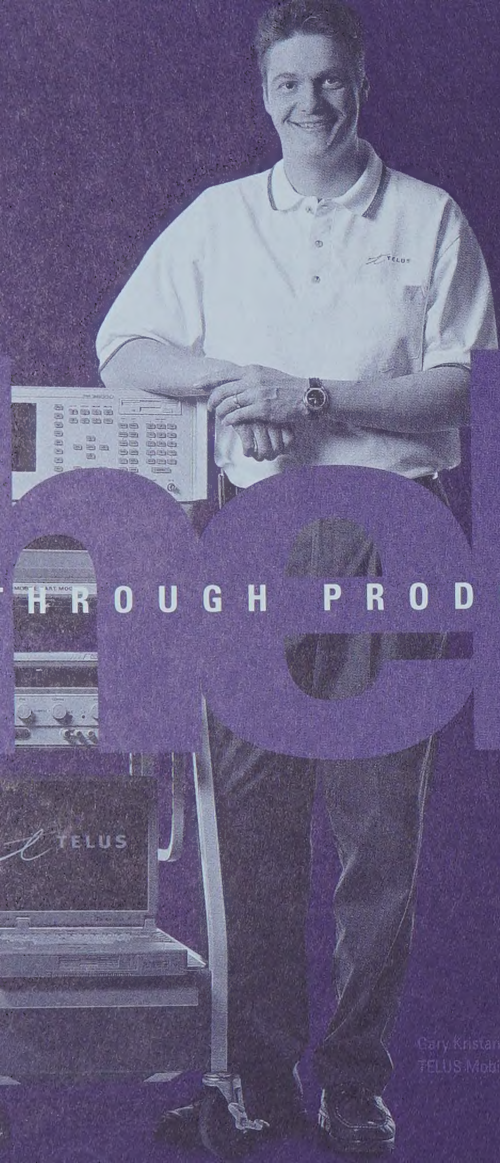
The conviction to move beyond the successes of our past leads to my second observation. To make Canada the first truly digital economy in the world requires considerable innovation and investment by its communications industries, and rapid adoption by consumers and businesses of new tools and approaches. Solving the related policy issues also requires new tools and approaches. Issues such as information security and the protection of personal privacy must be resolved before the full potential of the digital economy can begin to be realized. TELUS is proud to be one of the industry leaders in developing private-sector led solutions to these issues. We are pleased with initiatives taken to date and urge the Canadian government to continue working with its partners in industry and society to find answers in technology and the marketplace rather than in regulation and legislation.

Ours is an industry that is not only vital to the over-riding interests of this country, it is an economic and social driver of change and competitiveness in Canada. As such, we take seriously the responsibilities this role places on each of us at TELUS.

As members of the Board, each Director contributes to TELUS his or her own unique set of experiences, expertise and judgement. The diversity of skills and perspectives brought to the Board enhances our ability to carry out Board responsibilities effectively.

The TELUS Board is committed to the TELUS vision of "helping people through effortless communication" and supports the people of TELUS who, each day, live that vision through the strategies, operations and customer service initiatives they develop. TELUS corporate governance processes, while principally directed at the goal of long-term growth in shareholder value, clearly support the attainment of these more immediate objectives.

James S. Palmer
Chairman of the Board
February 10, 1998



helping

THROUGH PRODUCTS, FRIENDLY SERVICE AND

Gary Kristan
TELUS Mobility

Delivering excellent customer service is a top priority at TELUS, and the Customer Care Van program complements that goal. We are committed to taking action that is suited to the needs of the customer, whether that means driving to Bonnyville, visiting customers on site or scheduling appointments after normal work hours. To us, there's more to great customer service than

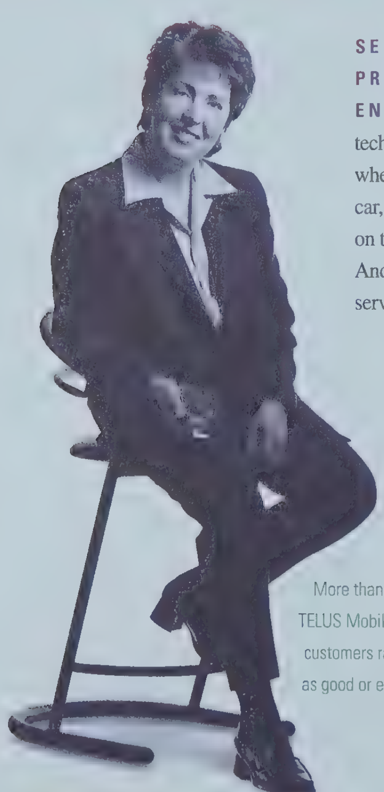
S O L U T I O N S , T E L U S I S **enriching lives**

simply reacting to problems. We also monitor our network to find and fix problems before customers even notice them. It's a constant challenge, but making communication effortless is what my job is all about.

Gary Kristan

TELUS Mobility Technical Customer Care and a TELUS employee for 17 years

THROUGH FRIENDLY SERVICE AND ADVANCED TECHNOLOGY WE ENHANCE THE LIVES OF THOSE WE SERVE. WE ARE COMMITTED TO OUR KEY STRATEGIES OF EXCELLENT CUSTOMER SERVICE AND CONTINUOUS IMPROVEMENT, AND ARE EXCITED AND CHALLENGED BY THE REALITY OF CONSTANT CHANGE.



More than 90 per cent of TELUS Mobility's cellular customers rated service as good or excellent

SERVICE AND PRODUCTS HELPING ENRICH LIVES → Wireless technology has reshaped how and where we talk on the phone: in the car, on an oil rig, at the cabin, or out on the combine bringing in the crop. And it has changed the way TELUS serves customers.

In 1997 TELUS Mobility hit the road with customer care vans, driving to where people work and live.

The specially equipped vehicles test the network and cellular phones. Technicians look for ways to improve customer service and discuss the latest innovations with a large network of TELUS Mobility dealers.

Programs aimed at customers are built upon TELUS Mobility's rock solid infrastructure. The Company has a superior coverage area and the highest quality network, backed by customer service people available 24 hours a day, seven days a week.

TELUS Mobility has emerged as a North American leader in terms of market share, growth, operating margins and customer satisfaction. In 1997 more than 20 per cent of Albertans used cellular phones, the highest percentage of any province in the country. TELUS Mobility served more than 400,000 of them.

Market share in 1997 was about two-thirds of cellular customers and the number of cellular customers increased by 24 per cent, while the number of paging customers grew by 36 per cent. Most importantly, 92 per cent of TELUS Mobility's cellular customers rated service as good or excellent, up from 88 per cent the year before.

IMPROVING CUSTOMER SERVICE → In 1997 TELUS served over 1.2 million residential and business customers. Customer service is the foundation upon which relationships are built and upon which the Company's reputation rests.

While 85 per cent of TELUS Communications customers rated their services as good or excellent, improving customer service is a priority throughout the organization, starting at the front line and moving back to the boardroom.

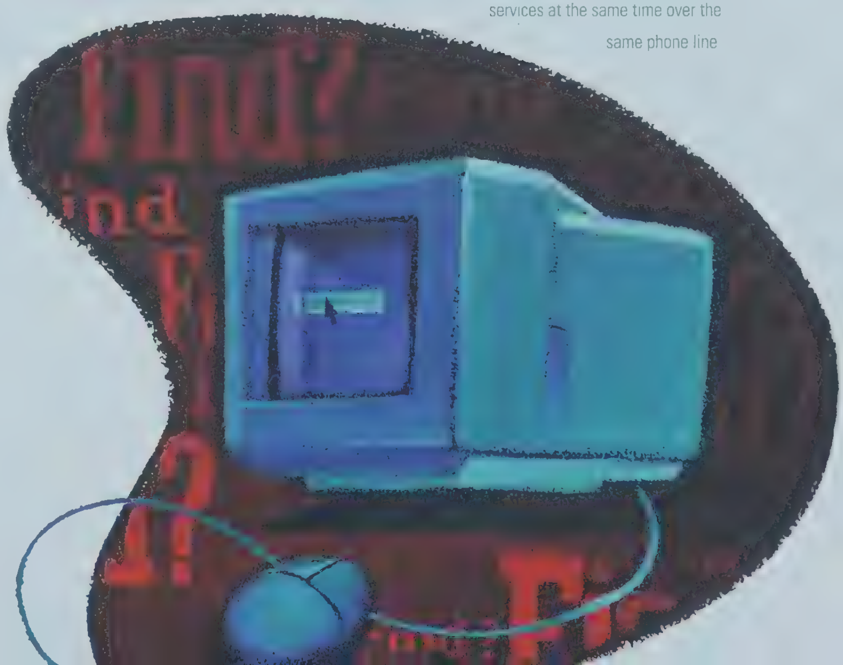
In 1997, TELUS spent $1.7 million enhancing phone centres in Edmonton and Calgary and opening new customer service centres in Medicine Hat, Lethbridge, Red Deer and Grande Prairie. This presence gives customers face-to-face contact with their communications company and allows them to view new equipment choices, see enhanced services demonstrated and order TELUS products and services.

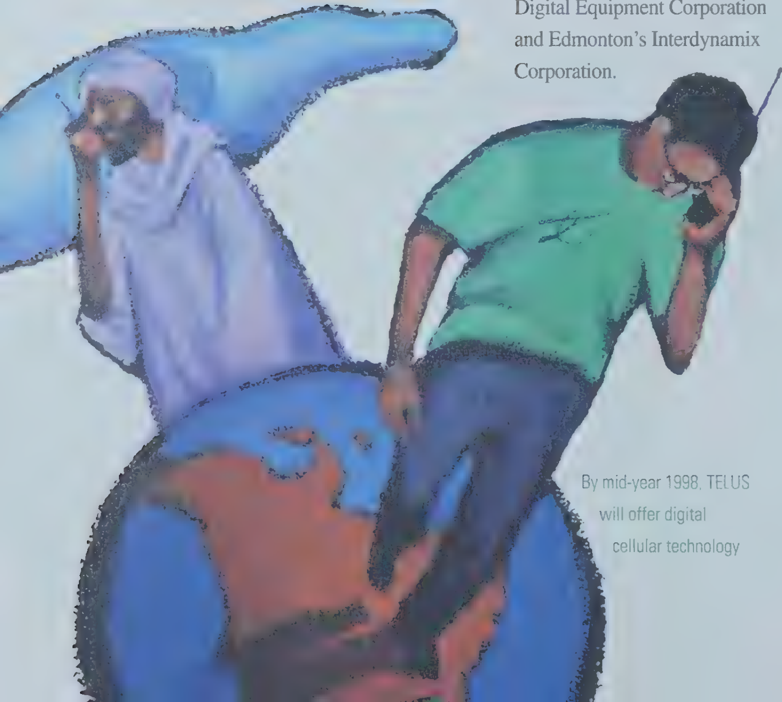
While this initiative met with rave reviews from customers, TELUS recognizes there's room to improve. That's why the company committed $10 million to hire and train additional staff for the residential customer service and business sales and service call centres. Adding staff will shorten the amount of time customers spend waiting in call queues—a top priority for 1998.

SELF SERVICE FOR ADDED CONVENIENCE → TELUS is making it easier for customers to reach us all the time, anytime. In fact, customers can access billing information, order a telephone, sign up for a long distance savings plan or subscribe to enhanced services from any phone or on-line computer.

In 1997, all residential customers province-wide could call 310-SELF to access a fully automated self-serve menu. A similar self-serve option was also launched on the Internet.

TELUS PLAnet introduced a high-speed Internet service that allows customers to access multiple services at the same time over the same phone line





By mid-year 1998, TELUS will offer digital cellular technology

NEW SEARCH ENGINE WITH CANADIAN CONTENT → Internet users will appreciate the new AltaVista Canada search engine (altavistacanada.com), developed by TELUS Advertising Services with partners AltaVista, Digital Equipment Corporation and Edmonton's Interdynamix Corporation.

It's the first all-Canadian, bilingual search engine. It provides users with the most comprehensive Canadian index on the Internet with more than 10 million pages of Canadian content. It was launched on the World Wide Web in January 1998.

TELUS Advertising Services expects to recoup the $1 million development cost for the search engine over the next two to three years from advertising revenue. TELUS is well positioned as the Internet gains acceptance as a mainstream advertising medium world-wide.

TELUS MOBILITY DIGITAL → Growth is driving TELUS Mobility to bring digital cellular technology to the market in 1998 with products that can handle more cellular traffic than existing analog technology. In late 1997 TELUS Mobility spent $48 million purchasing equipment for this venture.

Digital wireless service offers clearer voice quality and new features including call display, increased battery life and a more secure coding system, to keep calls private. Several digital technologies exist in the marketplace. After a successful trial in 1997 TELUS Mobility picked CDMA as the superior technology.

By mid-1998 TELUS Mobility Digital will launch service in Calgary, Edmonton and in communities along the highway between the two major cities. The plan is to expand digital coverage to include the same extensive area as the current analog network.

LIVES

Designed to connect with standard analog cellular networks right across North America, TELUS Mobility's digital system will offer seamless coverage and far greater reach than any competitor. Digital is just one example of the TELUS promise to provide superior, effortless communication.

ON-LINE TELEPHONE LISTINGS FOR UNIVERSAL ACCESS → TELUS was the first Canadian company to go on-line with telephone listings. In 1996, business listings from the *Yellow Pages** were published on the Internet and in December 1997, White Pages were added. Customers who have access to the World Wide Web also have access to every published telephone number in Alberta. It's free, and it's updated quarterly.

In addition, all TELUS *Yellow Pages* customer listings are now part of the new canadayellowpages.com site, launched Canada-wide in 1997. The site features 2.8 million Canadian business listings, offering TELUS Advertising Services further opportunities to sell Internet advertising by delivering businesses increased exposure to millions of potential buyers.

HIGH SPEED INTERNET FOR FASTER CRUISING → *TELUS PLAnet* introduced new high-speed Internet services that allow customers to access multiple services all at the same time over the same phone line.

The new packages, *TELUS PLAnet Extreme* and *TELUS PLAnet BizExpress* are expected to complement other successful *TELUS PLAnet* services. TELUS has quickly become Alberta's largest Internet service provider, with 68,000 customers at year end, up 122 per cent from the previous year.

Using RADSL (Rate Adaptive Asymmetric Digital Subscriber Line), a new technology with speeds significantly faster than a standard modem, residential and small business customers can make a voice or fax call and access the Internet at the same time on the same phone line. All other high speed Internet services available in Alberta require either a second phone line or cable-TV Internet service.

In January 1998, TELUS launched these new Internet services in Edmonton, Calgary and Sherwood Park.

In 1997, TELUS served over 1.2 million residential and business customers


N OUR HOMES, IN OUR JOBS, IN OUR SCHOOLS AND IN OUR

Imagine yourself as a student - joining an Everest expedition on-line, sharing conversations with students in war torn Bosnia/Herzegovina, seeing NASA photos of the Mars landing as it happened, traveling back to learn about medieval times - all on the Internet.

The *TELUS Learning Connection* is building a bridge, helping teachers gain the knowledge they need about the Internet to broaden learning opportunities for students. The Internet contains so much information - how do you choose what to look at?

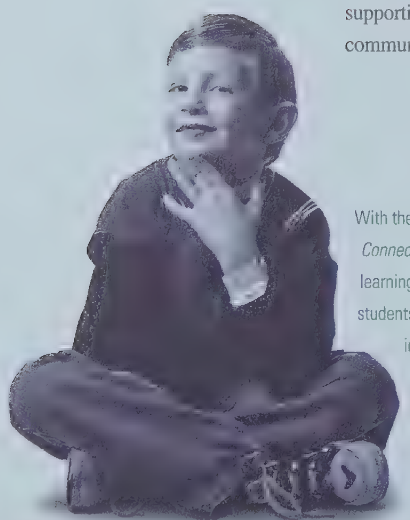
COMMUNITIES, TELUS IS **taking responsibility**

How do you know if it's accurate? How do you determine if it's biased? And, if so, how do you find balanced information? Teaching through the Internet helps our young people develop those necessary critical thinking and problem solving skills, make personal connections and develop a sense of global responsibility.

Catherine Kullman

Teacher/Team Leader, *TELUS Learning Connection*

REGARDLESS OF JOB OR TITLE, WE DO WHAT IS RIGHT FOR THE CUSTOMER, THE COMMUNITY AND THE ENVIRONMENT. WE ARE DEDICATED TO OUR KEY STRATEGY OF MAKING TELUS A GREAT PLACE TO WORK...WHERE EXCEPTIONAL PEOPLE COME TO WORK EXCITED AND MOTIVATED, KNOWING THEY WILL BE SUPPORTED IN THEIR EFFORTS TO MAKE A DIFFERENCE.



With the *TELUS Learning Connection*, teachers are learning how to help their students access meaningful information on the World Wide Web. www.2learn.ca

RESPONSIBILITY IN EDUCATION → TELUS is developing strong ties with the education community because communication technology is evolving into a valuable teaching and learning tool. TELUS takes supporting and investing in this community seriously.

The TELUS Bright Futures Foundation invested $1 million and partnered with four of Alberta's finest educational organizations to create the *TELUS Learning Connection:* an Educational Internet Alliance. The idea grew from a 1996 $7.2 million project in which TELUS offered free Internet access to all schools in the province.

Thanks to networking technology and training supplied by the *TELUS Learning Connection*, elementary and secondary students and their teachers spent a good deal of 1997 traveling to various virtual destinations and foreign lands via the Internet.

The second phase of the plan began with the creation of a teaching team to instruct teachers how to navigate the Internet. They will then be able to guide and teach students to use the Internet as a tool to search for meaningful information available on the World Wide Web. The team developed training materials and also designed a web site to support the program. All Alberta school jurisdictions were invited to send a teacher-leader for Internet training in February 1998. These 250 leaders will, in turn, train 3,200 teachers province-wide.

It is hoped every school in the province will have a teacher who can use the power of the Internet to help achieve educational goals.

In 1997, TELUS signed an important memorandum of understanding with Edmonton Public Schools (EPS), to share ideas involving technology and learning. TELUS wants to gain a deeper understanding of what can make technology more useful in education.

RESPONSIBILITY

As a result of the alliance, a TELUS business analyst began work assessing school technology plans and helping plan the telephone cabling and Internet architecture in schools. At the same time, EPS sent a leadership specialist to TELUS' Health, Education and Aboriginal Services division to help identify new business opportunities.

RESPONSIBILITY IN THE WORKPLACE → TELUS is also taking a responsible role in addressing environment, health and safety (EH&S) issues in the workplace.

As part of the Company's ongoing duty to audit and monitor operations for their impact on the environment, 246 TELUS sites were reviewed in 1997. An additional 32 sites were examined specifically for construction and contract compliance.

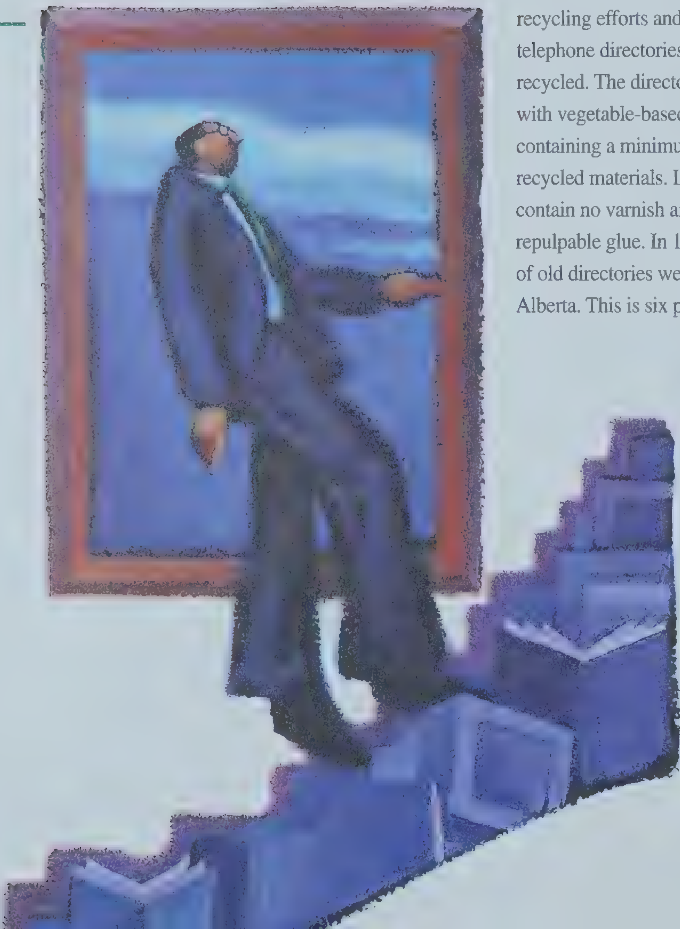
In 1997, TELUS took a significant step forward in establishing consistent EH&S policies and procedures across the Corporation. Process improvements in areas such as propane handling, working in confined spaces and working aloft contributed to a 33 per cent reduction in Workers Compensation premiums for TELUS Communications.

TELUS also uses technology to help employees work safely and respond to emergencies. The TELUS Lifeline was launched in 1997. It provides employees with a personal monitoring system that gives them backup when they work in confined spaces, drive to remote locations or travel in bad weather. This new system also provides employees with verbal summaries of EH&S policies, an emergency reporting capability, and critical safety information – at any time from anywhere in the province.

The EH&S department helped TELUS establish tough, yet realistic, targets for completion by the year 2000. Targets were set in the areas of waste reduction, recycling, fuel storage tanks and the use of hazardous chemicals.

For instance, in the area of waste reduction, TELUS expects to reduce materials going to landfill by 30 per cent of the 1996 level. The Company remains committed to reducing the number of fuel storage tanks in use from 222 to 86 by the year 2000.

Through the employee-driven Hearts at Work program, staff contribute personally to their favourite charities.



The TELUS Resource Centre helped more than 300 employees find other positions in 1997

TELUS supports community recycling efforts and produces telephone directories that are easily recycled. The directories are printed with vegetable-based inks on paper containing a minimum of 20 per cent recycled materials. In addition, they contain no varnish and are bound with repulpable glue. In 1997, 27 per cent of old directories were recycled in Alberta. This is six per cent better than the collections estimate of the U.S.-based Yellow Pages Publishers Association. TELUS Advertising Services has set a 40 per cent recycling target by the year 2000.

RESPONSIBILITY FOR EMPLOYEES → Having the right person in the right place can make or break daily customer transactions or the biggest, most complex business deals – especially in times of competition and transition. That is why the TELUS Resource Centre was created.

The TELUS Resource Centre has put together transition support programs that helped over 300 employees in 1997 find their way into other positions. Some employees continued in communications-related businesses, others in alternate career paths and approximately 45 employees chose community activities that support non-profit organizations needing specialized skills.

Through the employee-driven Hearts at Work program, staff contribute personally to their favourite charities. The Company then matches each contribution dollar-for-dollar. In 1997, Hearts at Work contributed to 350 Alberta charities, generating $669,000, up 49 per cent from the previous year.

In 1997, TELUS ranked among the top 50 companies on the Toronto Stock Exchange for social performance, as reported in the Financial Post.

RESPONSIBLE ENTERTAINMENT → Part of TELUS' goal is supporting events and activities Albertans care about. It's where employees and customers focus on having serious fun while building important relationships.

RESPONSIBILITY

During 1997, TELUS Event Marketing brought world-class golf to Alberta in a big way. The TELUS Professional Golf Series sponsored three week-long Canadian Tour Events played over June and July:

- the Henry Singer Alberta Open, presented by TELUS, at Wolf Creek Golf and Country Club
- the inaugural TELUS *Calgary Open™* at Heritage Pointe Golf and Country Club
- the TELUS *Edmonton Open™* at the Windermere Golf and Country Club

During each event the Company hosted special events for TELUS business clients and provided entertainment and expositions for customers and golf fans in general.

TELUS enjoyed extensive television, radio and print coverage in Alberta and across Canada. The final two rounds of each tournament were televised on Western International Communication (WIC) television networks – a first in Alberta.

TELUS was also on the ball at soccer fields and indoor stadiums throughout Alberta. The Company became the exclusive sponsor of the Alberta Soccer Association, sponsoring 54 outdoor and 41 indoor TELUS Championships, awarding medals to players of all ages. Many TELUS employees spent hours of volunteer time helping organize events for Canada's fastest growing sport.

The Company sponsored terrific action in the pro rodeo arena, with 40 pro rodeos (30 more than previous years). TELUS also took the lead sponsoring equestrian events at Spruce Meadows and professional curling events. As a major sponsor, TELUS helped Edmonton host one of the most successful Canadian Football League Grey Cup festivals.

TELUS was then on the road to Nagano, Japan, as a major sponsor of the Canadian Olympic Team that sought gold in the 1998 Winter Games.

Research shows that consumers recognize companies that support the Canadian Olympic Team as successful leaders, dedicated to excellence. TELUS, along with other Stentor companies across Canada, became an official sponsor and supplier to the Canadian Olympic Association and the Canadian Olympic Team in a landmark deal extending through the Athens Summer Olympic Games in 2004.

The Olympic Games provide great opportunities for TELUS to show a strong brand to customers and strengthen relationships with key business customers. The Olympics sported a TELUS brand during school programs featuring athletes and at TELUS sponsored celebrations for the Alberta send-off of the Canadian Olympic Team.

In 1997, TELUS became the exclusive sponsor of the Alberta Soccer Association, awarding medals to players of all ages

effortless

AS A UNITED COMPANY WITH A SINGLE VISION, TELUS IS EXPLORING

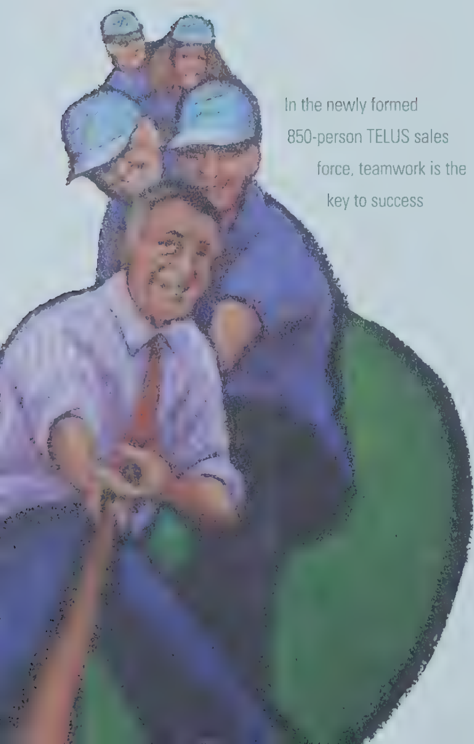
NEW WAYS TO DO BUSINESS BY working together

Teamwork is the key to success. It works well for us, and it helped us achieve extraordinary results with our Brintnell Project, a new oil field development north of Slave Lake near Wabasca. In August, there were no roads, no people and no telephone lines to the new site. Cell phones didn't even work. Then we contacted Chris Jerowsky from TELUS Business Sales. With his help, Brintnell was completely hooked up with telephones, cell phones, data links and the Internet a month prior to the facility going into operation. These connections are essential to run a project the size of Brintnell and it's great to see how teamwork can be so effective.

Christopher Kean

Facilities Manager, Canadian Natural Resources

TEAMWORK IS THE MAGIC THAT CREATES OUR SUCCESS. THE RESULTS WE ACHIEVE REFLECT THE QUALITY OF OUR RELATIONSHIPS WITH EACH OTHER AND OUR CUSTOMERS. GUIDED BY THE TELUS KEY STRATEGY, WE'RE ALL ONE, WE OPERATE AS ONE COMPANY WITH A SINGLE VISION.



In the newly formed 850-person TELUS sales force, teamwork is the key to success

ONE SALES FORCE→ In 1997, when business sales departments from various TELUS subsidiaries became one, business customers started working with one TELUS sales employee with access to many answers.

The newly formed 850-person sales force began development of a new Sales Management System. Slated for completion in 1998, the system takes advantage of the latest web page technology to simplify processes that were previously done manually.

TELUS makes pertinent business customer information available to all front-line staff at the click of a mouse, facilitating tracking and order coordination. This cuts the in-office workloads of sales people, and leaves them more time to develop strong relationships with business customers.

LONG DISTANCE SERVICE→ TELUS research has found that customers want good value and total solutions for their communications needs.

The TELUS team went head-to-head with competitors in the long distance arena with the introduction of *Advantage Optimum,* a discount plan that gives business customers a 25 per cent reduction from business long distance rates a year ago.

Residential customers also experienced significant long distance savings in 1997. TELUS kept market share stable with the introduction of *Your Way* Straight Savings and *Your Way* Plus Savings.

The Company backs up its residential savings plans with a guarantee to refund the difference, if customers submit three months of bills and an analysis finds they would have saved more with our two largest competitors' main long distance plans. Payments to customers under the guarantee were minimal.

In late December 1997, important regulatory changes gave TELUS the freedom to set its own discount long distance rates without the delays of seeking CRTC approval. Before this, TELUS was required to apply for every long distance rate change, while competitors were not. The new rules give TELUS more flexibility to respond quickly – something that's vital in the competitive marketplace.

LOCAL SERVICE→ In May 1997, the CRTC set out many of the key rules for the introduction of local competition, expected in 1998. From the TELUS perspective the rules appear more fair than those set in 1992 for long distance competition.

The TELUS strategy is straightforward: compete with competitors by building on our full service and coverage and keeping our offers simple and price competitive.

TELUS expects to see the initial competitive thrust for local service in Calgary's downtown business area and in high-rise apartments and condominiums. TELUS will meet competitors head on, by simplifying and lowering certain business rates.

To foster local competition TELUS must allow competitors to connect to our local network. Much of the work to prepare systems not originally designed for more than one provider is well underway. A key requirement is local number portability – the assignment and keeping of telephone numbers as customers move between providers. The timelines are ambitious, the tasks complex, and TELUS is working diligently to enable a new era of competition to begin.

BUILDING SMART CITIES → Grande Prairie chose TELUS as the Company to help transform their northern municipality into Alberta's first CyberCity. The five-year initiative gained momentum in 1997.

TELUS Advanced Communications, working with other parts of TELUS, developed a strategy to rebuild and reshape the way the City connects with the rest of the world.

With the completion of phase one of the project, a web page is now in place and all of Grande Prairie's major municipal buildings are linked and have access to the Internet using the latest in high speed technology. City employees are completing tasks more quickly than before and they are developing new ways to increase service speed and improve efficiency.

Based on Grande Prairie's success, TELUS has taken the CyberCity concept on the road, offering similar opportunities across the province through a new initiative called Smart Cities. The goal is to work together with many communities to eventually create a "Smart Province," a province with universal access and the capability to participate fully in the global information exchange.

TOGETHER

Residential customers experienced significant long distance savings in 1997.


ITH NEW KNOWLEDGE, NEW VENTURES AND UNCOMPRO
TELUS

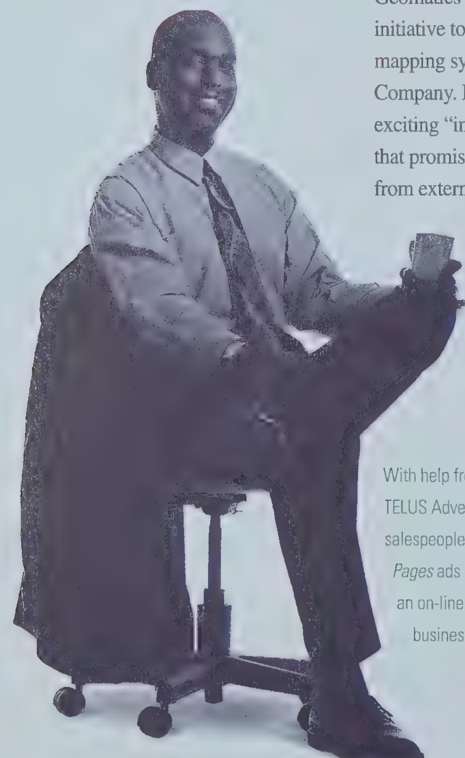
For ages TELUS engineers wrestled with paper maps - thousands of them - that contained the records of our telephone cable. The process was unbelievably time consuming and updating the maps was a tedious chore. So we initiated the IMAGE project to computerize all the mapped information we had. Five years and $35 million later, it's here: a computerized record of the entire map of Alberta and our entire telecommunications network. By layering other geographic or demographic information over the IMAGE map, TELUS can provide additional specialized services for external private and public sector clients. For example, the City of Grande Prairie uses our mapping technology to help emergency response teams pinpoint the exact location of 911 calls. We are truly at the forefront of technology and we think there are tremendous opportunities for the future.

MISING STANDARDS, TELUS IS **creating value**

Jim Huff

General Manager, TELUS Geomatics

THROUGH OUR BUSINESS SUCCESS, WE CREATE VALUE FOR PEOPLE WHO INVEST IN OUR ORGANIZATION-WITH THEIR TIME, ENERGY, MONEY AND TRUST. OUR ENDEAVOURS ARE DRIVEN BY THE TELUS KEY STRATEGY OF GROWTH.



With help from Geomatics, TELUS Advertising Services salespeople can link *Yellow Pages* ads on alberta.com to an on-line map showing a business location and logo.

MAPPING THE FUTURE→ TELUS Geomatics began as a straightforward initiative to develop a computerized mapping system for use within the Company. It then blossomed into an exciting "intra-preneurial" venture that promises to generate revenue from external clients.

Initially, the purpose of the mapping project was to create a comprehensive computerized record of telephone cable throughout the province and to eliminate the laborious, time-consuming task of continually updating massive paper maps. The collective expertise of the project members led to an on-line engineering design tool and cable records system that stores information from 140,000 paper cable records.

This IMAGE system makes information instantly available to more than 160 engineering staff across the province and generates significant financial savings. Process improvements from on-line access to the system save over $4 million annually.

IMAGE eliminates the need for manual record keeping and as a result the Company has re-deployed almost 100 employees from the Access Records Department. The annual operating cost of the unit has been reduced by almost $10 million.

The IMAGE map base is easily overlaid with additional geographic and demographic information, so it can be used for many applications. A market study confirmed opportunities to sell the system externally. A business plan to market the TELUS Geomatics IMAGE product was approved.

In 1998, the new unit will market its mapping and information services to businesses across the province and around the world. They are already targeting the oil and gas industry and provincial and municipal governments. Internally, Geomatics is providing various mapping and information services to the TELUS group of companies. For example, the system is linking *Yellow Pages* advertisements available on the

Internet at alberta.com to an on-line map, displaying the location and logo of the business.

ENHANCING BUSINESS SALES → Another project, developed by Business Sales employees, also provided the company with much-needed data and laid the groundwork for new procedures. During the summer of 1997, Project Hurricane unleashed 60 university and college students to determine the communication needs of small and medium-sized Alberta businesses. The project generated sales of more than $2.5 million.

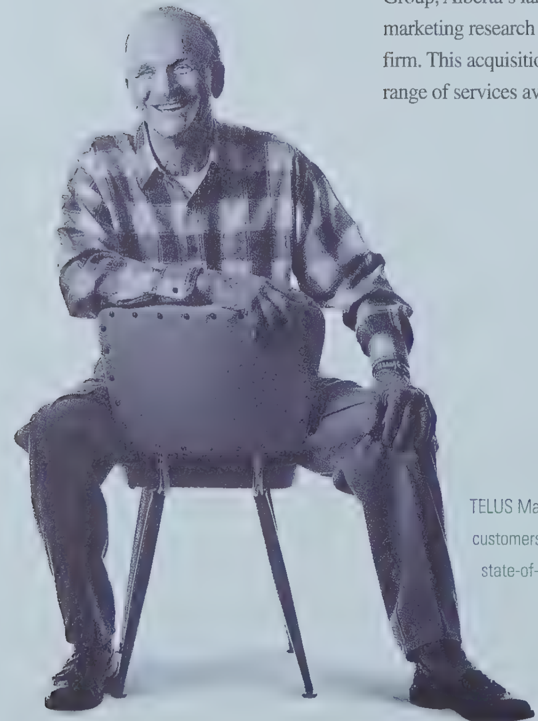
The project gave TELUS an opportunity to gather information about individual businesses enabling us to offer specific solutions to meet customers' communication needs. The project also helped develop a long-term plan for hiring and training students for Business Sales, right out of post secondary institutions.

ENHANCED ELECTRONIC COMMERCE → Innovation on the Internet for business customers is a major focus for TELUS Advanced Communications. The group concentrated on finding new and better ways to help medium and large-sized businesses find opportunities through direct, one-to-one marketing on the Internet.

Set for launch in 1998, new electronic commerce solutions from TELUS will take businesses far beyond a well designed web site and help fulfill the business potential of the Internet.

TELUS Advanced Communications has been creating value for business clients for more than two years, by managing the Alberta portion of the Canadian Internet backbone and providing high-speed solutions. Almost every Internet connection in the province runs through the TELUS high-speed switching network, providing opportunities to directly manage customers' Internet applications.

In Summer 1997, 60 university students joined TELUS Business Sales to address the needs of small and medium-sized Alberta businesses.



STRENGTHENING CUSTOMER SERVICE→ To further strengthen its position as a leading call centre in Western Canada, TELUS Marketing Services purchased The Advisory Group, Alberta's largest full-service marketing research and consulting firm. This acquisition expands the range of services available to clients.

As a result, TELUS offers exceptional marketing and customer service programs which include research consulting linked with state-of-the-art call centre services.

TELUS Marketing Services has grown from 20 to more than 200 telemarketing professionals and revenues have more than tripled to over $7 million in 1997.

MAKING NEW KNOWLEDGE PAY→ TELUS Multimedia is experimenting with the future by investing $65 million over three years to deliver and test new interactive services.

TELUS was granted permission by the CRTC to conduct a trial of multimedia services – television, high-speed Internet, movies on demand – in three Edmonton and Calgary neighbourhoods. In September 1997, a marketing campaign was launched to the trial neighbourhoods, and in October the first TELUS subscribers were connected to over 60 channels of cable television service.

In December, the services were expanded to include high-speed Internet access. As well, in partnership with a number of local content producers, TELUS Multimedia is exploring delivery of new content through the TELUS Velocity site. Offered exclusively to trial participants, this site features a CD Jukebox of local artists, News-on-Demand from local broadcasters, video movie reviews from *The Movie Show** and a variety of multi-player games.

TELUS Marketing Services now offers customers market research linked with state-of-the art call centre services.

TELUS Multimedia also plans to trial interactive television services – including movies on demand, an interactive program guide and Internet browsing on the television.

The combination of services and technology makes TELUS Multimedia's trial the most ambitious undertaking of its kind in North America and reinforces our commitment to innovation and the pursuit of new opportunities.

The trial is a necessary pre-cursor to any potential commercial deployment. A decision will be based on a complete understanding of customer demand for services, the overriding economics and the prevailing regulatory environment. Only when all the information is gathered, after trial completion in 1999, will TELUS decide whether or not to make commitments on a selective or full commercial launch of these services.

So far, TELUS is encouraged by the positive response it has received from the trial participants, and by recent steps taken by the CRTC to remove barriers to open competition in all cable and broadcasting markets.

Established cable television providers have mounted many marketing, legal and regulatory challenges to the trial, but TELUS Multimedia continues to forge ahead, using the trial as a real life laboratory to test services of the future.

Families participating in the TELUS multimedia trial have the chance to try new interactive services, including television, high-speed Internet and movies on demand

frequently asked questions

1. WHY HAS YOUR SHARE PRICE RISEN SO STRONGLY IN THE LAST YEAR? → The TELUS share price increase of 59% can be attributed to positive developments in the Canadian economy, telecom industry and at TELUS. First, lower interest rates were good news for all dividend paying stocks, as investors switched away from interest paying securities. Second, the CRTC decision on local competition in May was viewed as fairer for established telcos than was expected. As a result, Canada is now viewed as having a more stable regulatory and competitive environment than the United States, which has attracted foreign investor interest. Third, investors see TELUS as having good competitive strategies. Finally, the Company delivered strong financial results.

2. WHY HASN'T THE COMPANY INCREASED ITS DIVIDEND RATE IN THE LAST SIX YEARS AND WILL IT CONSIDER DOING SO IN THE FUTURE? → The Company has not raised its dividend rate and lowered its payout ratio (dividends divided by earnings) because of the increasingly competitive communications environment and growth opportunities available. This has reduced the risk of earnings not covering the dividend and increased funds available for reinvestment, with the aim of providing more return to the shareholder through share price increases.

Should the Company over time not find value enhancing growth investments in communications, it would consider, among other alternatives, increasing the dividend.

3. WHAT PLANS DO YOU HAVE FOR THE BUILD-UP IN CASH FROM BOTH THE TELECENTIAL SALE AND OPERATING CASH IN EXCESS OF CAPITAL EXPENDITURES? → As we announced in late July, we intend to pursue the repurchase of up to $200 million of TELUS shares by August 1998. We also continue to actively assess communications related investments both internally and externally. Internal investments include introduction of digital cellular, new technology such as high speed Internet (RADSL) and the multimedia trial. We obviously cannot comment on various external assessments and potential discussions or negotiations, unless progress is made to where a definite offer or agreement is concluded.

4. GIVEN A GLOBAL MOVEMENT TO TELECOMMUNICATION COMPANY MERGERS, HOW COULD THIS AFFECT THE CANADIAN INDUSTRY AND TELUS? → There has been much public speculation about this. We note that the Canadian Telecommunications Act limits foreign ownership to 33.3%, which is lower than most other countries for the time being. However, given the small size of the Canadian telecommunications market divided among many regional and national providers, there is certainly pressure for rationalization. TELUS and other regional telcos, cellular companies, long-distance companies and new local companies could be a participant, target or an initiator of some form of rationalization.

5. HOW PREPARED IS TELUS FOR THE NEXT TWO WAVES OF COMPETITION IN 1998 – LOCAL TELEPHONE AND DIGITAL CELLULAR (PCS)? → TELUS has acted over the last two years on a strategy that combines a strong brand and pricing that matches major competitors. Without these two key elements, we believe that the other competitive elements, such as improving customer service, are not nearly as effective. This strategy has been successful in long distance and cellular and bodes well for new local telephone and digital cellular competition.

On the local side, we are focussed on shortening customer service hold times. We have committed up to $10 million to provide more and better trained front line staff. We are also working to provide employees with improved tools and customer information. On the digital side, we have a unique strategy that should deliver in several years province-wide digital coverage, unmatched by new entrants.

6. WHY DID YOU WRITE-DOWN YOUR ASSETS BY $515 MILLION IN THE FOURTH QUARTER? HOW DOES THIS BENEFIT SHAREHOLDERS? → The Canadian industry, as the U.S. industry did several years ago, has implemented a change in accounting that recognizes the ongoing inability of the regulator to ensure complete recovery of all asset investments through rate increases. The timing has been triggered in Canada by the introduction of new price cap regulation that does not involve rate of return setting of rates.

The impact for shareholders is that TELUS financial statements will be more comparable to other public companies and should be simpler with less non-cash regulatory-driven amortizations and deferrals. In 1998, the overall impact should be $57 million of reduced depreciation expense and $32 million lower operations expense, due to elimination of workforce reduction costs.

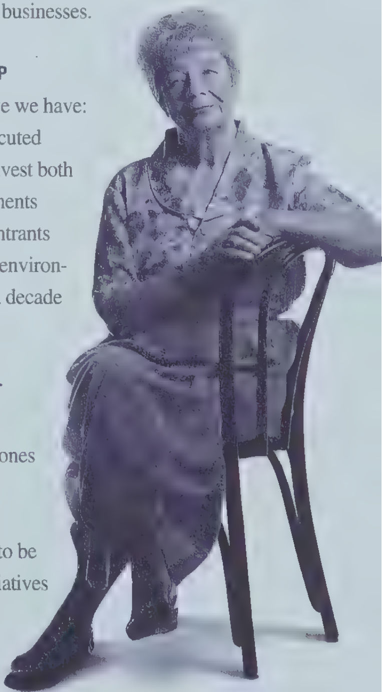
7. WHAT ARE THE FINANCIAL OR OPERATING OBJECTIVES THAT YOU HAVE SET THAT SHOULD BENEFIT SHAREHOLDERS GOING FORWARD? → We are committed to providing shareholders an average annual return (share price appreciation plus dividends) of at least 12% over five years. If achieved, this would rank TELUS in the top quarter of public companies. This requires that TELUS generate double-digit revenue growth from either existing or new sources. TELUS is also committed to achieving industry leading customer satisfaction ratings, while achieving productivity improvements of at least 4.5% in our regulated businesses.

8. WHAT ARE TELUS' STRENGTHS THAT HELP SHAREHOLDER VALUE CREATION? → We believe we have:

- clear competitive strategies that are being successfully executed
- very strong finances that provide us with the resources to invest both in external growth opportunities and in the internal investments needed to make TELUS a formidable competitor to new entrants
- a region of operation, Alberta, that has a business oriented environment and has shown sustained economic growth for over a decade

9. WHAT DOES TELUS' MANAGEMENT CONSIDER TO BE AREAS FOR IMPROVEMENT GOING FORWARD? → We believe these to be:

- improved systems and processes that will replace existing ones that tend to slow customer service and frustrate employees striving to provide excellent service
- a continued move to complete deregulation that allows us to be more responsive to customer needs and to competitors' initiatives
- improved company wide communication and customer satisfaction, based on the above two points



management discussion & analysis

THIS MANAGEMENT DISCUSSION & ANALYSIS COMPRISES THE FOLLOWING SECTIONS: OVERVIEW, RESULTS OF OPERATIONS, LIQUIDITY AND CAPITAL RESOURCES, AND OUTLOOK. THESE SECTIONS SHOULD BE READ JOINTLY WITH THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS ON PAGES 49 THROUGH 61.

OVERVIEW

(millions except return on equity and earnings per share)	1997	1996	Change	%
Income before income taxes	**$322.8**	$275.0	$ 47.8	17.4
Less: Income taxes	**168.1**	8.1	160.0	—
Discontinued operations	**127.3**	(24.3)	151.6	—
Extraordinary item	**(285.2)**	—	(285.2)	—
Net income (loss)	**$ (3.2)**	$ 242.6	$(245.8)	(101.3)
Return on common equity (%)	**0.0**	12.5	(12.5)	—
Earnings (loss) per common share:				
Continuing operations	**$ 1.07**	$ 1.87	$ (0.80)	(42.8)
Discontinued operations	**0.88**	(0.17)	1.05	—
Extraordinary item	**(1.97)**	—	(1.97)	—
Net	**$ (0.02)**	$ 1.70	$ (1.72)	(101.2)

The major events affecting 1997 continuing operations were:

- strong growth in cellular subscribers
- local rate increases
- new residential and business long distance savings plans
- higher depreciation rates in TELUS Communications
- significantly lower debt and interest expense

In addition, there were three significant items affecting reported net income:

- gains from the sale of 50% interests in both Telecential and ISM Alberta – see Discontinued operations
- an extraordinary non-cash charge against the recorded value of regulated assets precipitated by the introduction of price cap regulation – see Extraordinary item
- new Canadian accounting requirements adopted relating to the recording of future income tax assets on the balance sheet and expensing of the income tax asset over time – see Income taxes

RESULTS OF OPERATIONS

OPERATING REVENUES BY SUBSIDIARY

(millions)	1997	1996	Change	%
TELUS Communications	**$1,370.9**	$1,311.0	$ 59.9	4.6
TELUS Edmonton	**304.6**	288.0	16.6	5.8
TELUS Mobility	**348.0**	255.5	92.5	36.2
TELUS Advertising Services *	**96.2**	91.4	4.8	5.2
Other subsidiaries	**27.6**	11.1	16.5	148.6
Consolidation eliminations	**(127.5)**	(96.7)	(30.8)	(31.9)
Operating revenues	**$2,019.8**	$1,860.3	$159.5	8.6

* TELUS Advertising Services Edmonton reported in TELUS Advertising Services

OPERATING REVENUES

			% of Total	
(millions)	1997	1996	1997	1996
Local service	**$1,195.1**	$1,028.7	59.2	55.3
Long distance service	**676.3**	698.6	33.5	37.6
Other	**148.4**	133.0	7.3	7.1
Operating revenues	**$2,019.8**	$1,860.3	100.0	100.0

The majority of the increase in operating revenues was in local services due to volume and rate increases. Long distance revenue decreased from last year due to the effect of lower prices. Other revenue increased primarily from growth at TELUS Advanced Communications (data services) and TELUS Advertising Services.

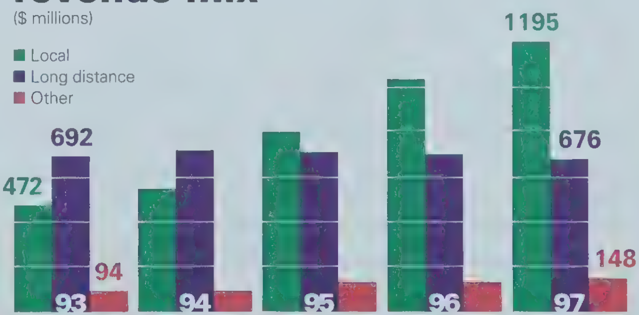
LOCAL SERVICE

	1997	1996	Change	%
Revenue (millions)	**$1,195.1**	$1,028.7	$166.4	16.2
Network access lines (000's)	**1,848.6**	1,765.8	82.8	4.7
Cellular subscribers (000's)	**408.7**	328.4	80.3	24.4

Local service revenue is recorded by TELUS Communications, TELUS Edmonton, and TELUS Mobility.

Strong growth in Mobility subscribers increased local revenue by $59.1 million, while local rate increases in January 1997 at TELUS Communications increased revenue by $35.7 million. Local access contribution payments from long distance competitors increased by $18.8 million to $56.8 million. Revenue from enhanced services, such as Call Display and Call Answer and from the Internet increased by $13.3 million (25%). Revenues from other services such as Centrex and *Megalink** grew by $21.9 million (29%). Higher growth in network access lines, especially in second lines, also contributed to the local revenue increase.

revenue mix
($ millions)



LONG DISTANCE

	1997	1996	Change	%
Revenue (millions)	**$ 676.3**	$ 698.6	$ (22.3)	(3.2)
Minutes (millions)	**2,139.4**	2,034.8	104.6	5.1

Long distance service revenue is recorded by TELUS Communications and TELUS Mobility.

Long distance revenue at TELUS Communications decreased $49.0 million due primarily to lower prices partially offset by higher minute volume. Market share was down slightly at 66% from 68% last year. Long distance revenue at TELUS Mobility increased by $32.0 million or 79% due to subscriber growth and strong business usage across TELUS' large Alberta cellular coverage area.

OTHER

	1997	1996	Change	%
Revenue (millions)	**$ 148.4**	$ 133.0	$ 15.4	11.6

Other revenue consists primarily of directory advertising and publishing revenue at the TELUS Advertising companies. The remaining components include equipment rentals, amortization of Individual Line Service government grants, data services and call centre revenues.

Revenues from data services and call centres increased by $9.9 million in 1997. Growth in sales of national directories and increased demand for ad space helped improve advertising and publishing revenues by $5.1 million.

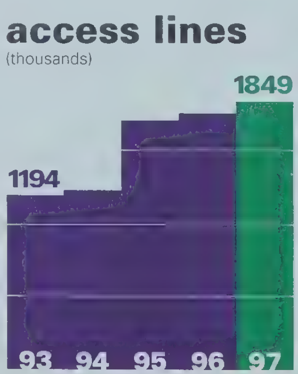
OPERATING EXPENSES BY SUBSIDIARY

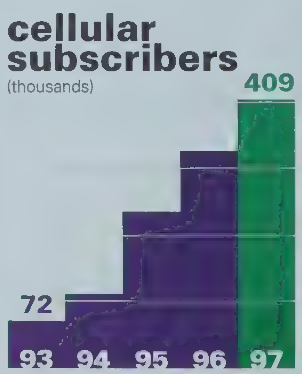
(millions)	1997	1996	Change	%
TELUS Communications	**$1,119.7**	$1,028.0	$ 91.7	8.9
TELUS Edmonton	**243.2**	224.4	18.8	8.4
TELUS Mobility	**195.8**	153.6	42.2	27.5
TELUS Advertising Services	**81.8**	76.7	5.1	6.6
Other subsidiaries and corporate	**86.0**	66.1	19.9	30.1
Consolidation eliminations	**(127.5)**	(96.7)	(30.8)	(31.9)
Operating expenses	**$1,599.0**	$1,452.1	$146.9	10.1

OPERATING EXPENSES

			% of Total	
(millions)	1997	1996	1997	1996
Operations	**$1,063.1**	$1,014.1	66.5	69.8
Depreciation and amortization	**535.9**	438.0	33.5	30.2
Operating expenses	**$1,599.0**	$1,452.1	100.0	100.0

Depreciation and amortization increased to over one third of total operating expenses.





OPERATIONS

	1997	1996	Change	%
Operations expense (millions)	**$1,063.1**	$1,014.1	$49.0	4.8
EBITDA margin (%)	**47.4**	45.5	1.9	—
Employees	**8,972**	8,858	114	1.3

TELUS Mobility operations expense increased due to the 24% growth in subscribers. Network interconnect and site rental charges, and general operations expenses increased by $21.9 million due to volume growth. Salaries and benefits increased by $6.4 million due mainly to higher staff levels. A $3.4 million increase in dealer costs was associated with a customer loyalty program.

TELUS Communications and TELUS Edmonton's combined operations expense was up $8.5 million. This was primarily due to $7.8 million of year 2000 project readiness costs, and a $10.0 million write-down of slow moving materials and inventory at TELUS Communications, partly offset by a number of productivity improvements.

Operations expense from all other subsidiaries increased by $8.8 million.

Earnings before interest, taxes, depreciation and amortization increased by $110.6 million in 1997 to $956.8 million as the operations expense grew at a slower rate than did revenue.

DEPRECIATION AND AMORTIZATION

	1997	1996	Change	%
Depreciation and amortization (millions)	**$ 535.9**	$438.0	$ 97.9	22.3
Average depreciation rate (%)	**9.5**	7.8	1.7	—

Adoption in 1997 of higher depreciation rates for certain assets in TELUS Communications was the primary reason for a $96.4 million increase in depreciation and amortization expense in that company. Growing capital expenditures were the main reason for a $10.5 million increase at TELUS Mobility and an $8.9 million increase in other companies.

Amortization of goodwill decreased by $17.9 million due to the adoption of a new accounting policy effective January 1, 1997. This is discussed in more detail under the income taxes section below.

INCOME FROM OPERATIONS BY SUBSIDIARY

(millions)	1997	1996	Change	%
TELUS Communications	**$ 251.2**	$283.0	$(31.8)	(11.2)
TELUS Edmonton	**61.4**	63.6	(2.2)	(3.4)
TELUS Mobility	**152.2**	101.8	50.4	49.5
TELUS Advertising Services	**14.4**	14.7	(0.3)	(1.8)
Other subsidiaries and corporate	**(58.4)**	(54.9)	(3.5)	(6.4)
Income from operations	**$ 420.8**	$408.2	$ 12.6	3.1

Income from operations grew despite higher non-cash depreciation expense. Operating income as a percentage of revenue decreased to 20.8% from 21.9% in 1996.

TELUS™

INTEREST EXPENSE AND OTHER

(millions)	1997	1996	Change	%
Interest expense, net	**$97.2**	$140.2	$ (43.0)	(30.7)
Other	**0.8**	(7.0)	7.8	—

Interest income is netted against interest expense. The main reason for the decrease in net interest expense was the $423.3 million reduction in long-term debt during the year. Higher interest income due to higher average cash balances also reduced net interest expense.

TELUS Communications interest expense on long-term debt decreased by $31.3 million due principally to long-term debt repayments in January and July 1997. Interest expense relating to the bank credit facility decreased by $7.3 million due to a repayment in 1996. Interest expense was further reduced by a repayment in 1997 of long-term notes in TELUS Edmonton. The average net borrowing cost in 1997 was approximately 8.0% (9.0% in 1996).

'Other' reflects non-operational and non-recurring transactions. The major transaction in 1996 was a $6.0 million reduced contribution to certain benefit plans.

INCOME TAXES

(millions)	1997	1996	Change	%
Income taxes	**$168.1**	$8.1	$160.0	—

The increase in income taxes was attributed to two factors:

- $54.5 million due principally to the loss of tax shelters Telecential provided
- $105.5 million due to the adoption of new CICA income tax reporting requirements that brings tax expense to the marginal tax rate. This is affected through a reduction of future income tax assets, which have been recorded on the balance sheet.

The following table details the resulting changes to 1997 income.

(millions)	1997 before accounting policy change	Change	1997 after accounting policy change
Income before income taxes	$305.0	$ 17.9	$322.9
Income taxes	62.6	105.5	168.1
Income from continuing operations, before extraordinary item	$242.4	$ (87.6)	$154.8

Income before income taxes increased from a $17.9 million reduction in goodwill amortization expense. This was due to the recognition of the future income tax asset and the corresponding reduction in the goodwill asset, resulting from the 1995 ED TEL acquisition.

FUTURE INCOME TAX ASSET

(millions)	January 1, 1997 before accounting policy change	Change	January 1, 1997 after accounting policy change
Goodwill asset	$268.5	$(179.3)	$ 89.2
Future income tax asset	—	569.7	569.7
		$ 390.4	
Deferred income tax liability	$ 9.5	$ (9.5)	$ —
Retained earnings	461.4	399.9	861.3
		$ 390.4	

TELUS adopted the provisions of a new Canadian accounting requirement for income taxes. Under these new rules, the expected economic benefit from unused tax losses, unused tax reductions, and other temporary differences between taxable income and income before taxes is recorded on the balance sheet. A future income tax expense is recorded as this future income tax asset is used.

DISCONTINUED OPERATIONS

(millions)	1997	1996	Change	%
Discontinued operations	**$127.3**	$(24.3)	$151.6	—

TELUS sold its 50% interest in Telecential in the first quarter of 1997. An amount of $119.4 million has been recorded comprising of a $123.9 million gain after taxes and a $4.5 million operating loss prior to the sale. Telecential's loss for 12 months in 1996 was $30.3 million.

In the third quarter of 1997, TELUS sold its 50% interest in ISM Alberta. An amount of $7.9 million was recorded comprising a $4.8 million gain after taxes and $3.1 million income for the period prior to the sale. ISM Alberta's income for 12 months in 1996 was $6.0 million.

EXTRAORDINARY ITEM

(millions)	1997	1996	Change	%
Extraordinary item	**$(285.2)**	$ —	$(285.2)	—

The telecommunications industry in Canada is undergoing significant regulatory, competitive and technological change. The Canadian industry, as the U.S. industry did several years ago, has implemented a change in accounting that recognizes telecommunications companies have under-depreciated assets that the regulatory process will never recover.

For these reasons, and with the introduction of price cap regulation effective in 1998, TELUS has recorded an extraordinary charge of $285.2 million after taxes. This charge was composed of a before tax increase in the accumulated depreciation for property, plant, and equipment of $442.7 million and the elimination of the $72.3 million in deferred restructuring costs.

LIQUIDITY AND CAPITAL RESOURCES

CASH AND SHORT-TERM DEPOSITS

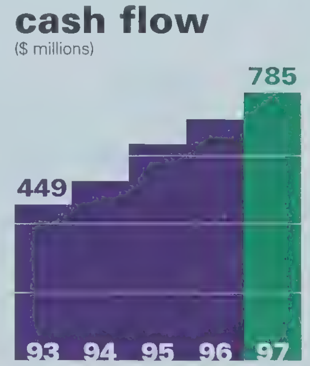
(millions)	1997	1996	Change	%
Cash and short-term deposits	**$263.6**	$76.4	$187.2	245.2

The 1997 ending cash balance represents the proceeds from the sale of Telecential and ISM Alberta to the extent that these funds were not required for debt repayments.

OPERATING ACTIVITIES

(millions)	1997	1996	Change	%
Cash provided by operating activities	**$847.8**	$633.2	$214.6	33.9

The increase in cash provided by operating activities in 1997 resulted from a $47.9 million increase in income before taxes and a $97.9 million higher depreciation and amortization expense. Net changes in non-cash working capital increased $132.6 million relative to 1996 changes, of which $57.3 million represented the unpaid portion of current income taxes booked in 1997.



DIVIDENDS

(millions)	1997	1996	Change	%
Dividends	**$133.1**	$130.8	$2.3	1.7

Total dividend payments in 1997 increased slightly, resulting from additional equity raised under the dividend reinvestment and share purchase plan, the TELUS employee share purchase plan and the executive stock option plan. The quarterly dividend payment remained unchanged at $0.23 per common share.

FINANCING ACTIVITIES

(millions)	1997	1996	Change	%
Cash used by financing activities	**$(389.2)**	$(244.8)	$(144.4)	59.0

During 1997, a total of $423.3 million in long-term debt was repaid compared to $285.7 million in 1996. The repayments in 1997 were funded from internally generated cash and proceeds from the sale of Telecential. Debt repayments in 1996 were prefunded with a $200 million issue in the previous year. In 1997, TELUS Communications repaid a $200 million 9.3% note in January and a second $200 million 9.8% note in July, and TELUS Edmonton repaid $18.5 million of other notes.

The $36.1 million raised from the issue of common shares in 1997 ($42.9 million in 1996) was comprised of $18.4 million from shares under the dividend reinvestment share purchase plan, $9.8 million from shares under the employee share purchase plan, and $8.0 million from shares from the executive stock option plan. After July 1997, shares required for the dividend reinvestment and employee share purchase plans were acquired on the open market rather than being issued from treasury.

INVESTING ACTIVITIES

(millions)	1997	1996	Change	%
Cash used by investing activities	**$(522.5)**	$(372.3)	$(150.2)	40.3
Cash provided (used) by investing activities related to discontinued operations	**$ 403.0**	$ (91.3)	$ 494.3	—

Cash used for investing in 1997 was higher than in 1996 largely due to increased capital expenditures.

The sale of Telecential and ISM Alberta provided $403.0 million of cash in 1997. In 1996, capital expenditures in Telecential were $87.8 million.

CAPITAL EXPENDITURES

(millions)	1997	1996	Change	%
TELUS Communications	**$ 266.5**	$ 230.3	$ 36.2	15.7
TELUS Edmonton	**97.0**	67.9	29.1	43.0
TELUS Mobility	**122.7**	73.3	49.4	67.4
TELUS Advertising Services	**5.3**	6.8	(1.5)	(22.8)
Other	**44.4**	16.4	28.0	170.7
Capital expenditures	**$ 535.9**	$ 394.7	$ 141.2	35.8

Capital expenditures in TELUS Communications increased in 1997 due to rearrangements to the switching network, which will reduce future operating expenditures, product and service development expenditures for an integrated voice messaging service, business terminals resulting from high customer demand and conversion of subscriber lines to allow high-speed Internet.

TELUS Edmonton capital expenditures increased in 1997 over 1996, largely due to the development and implementation of the SAP information system.

TELUS Mobility capital expenditures increased in 1997, due to $47.9 million of spending on the network for new enhanced digital service, to be launched in 1998. Additional spending of $9.9 million to develop a new billing system to be implemented in 1998, was offset by lower spending on the analog network.

Other increases in capital expenditures were primarily attributable to the TELUS Multimedia trial.

CREDIT FACILITIES

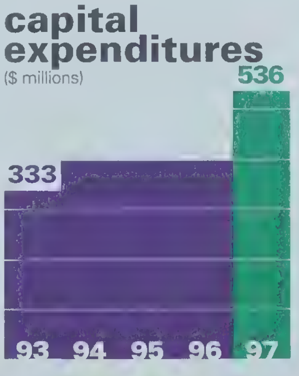
TELUS Communications maintains a short-term commercial paper program with an approved maximum of $300 million supported by committed bank credit facilities. A $200 million revolving bank credit facility and a $25 million short term credit facility are in place at TELUS Corporation. At year-end, neither company had any significant external borrowings outstanding under these facilities.

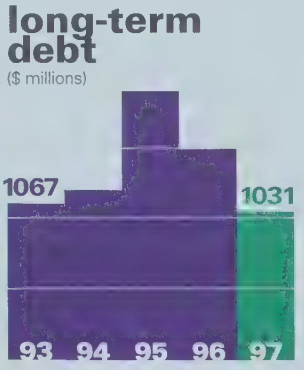
TELUS Communications has an established unsecured $400 million medium-term note program under a shelf prospectus valid until August 1998. The program provides TELUS Communications with the flexibility to issue notes with maturities of one to thirty years to finance maturing long-term notes, capital expenditures and for other general corporate purposes. The medium-term note program has not yet been accessed.

LIQUIDITY AND CAPITAL RESOURCE RATIOS

	1997	1996	Change
Debt to total capitalization	**36.1%**	46.8%	(10.7%)
Net debt to total capitalization (net of sinking fund assets)	**34.1%**	45.3%	(11.2%)
Cash flow to net long-term debt	**71.6%**	37.7%	33.9%
Construction funded internally	**134.8%**	130.5%	4.3%

Debt as a proportion of total capitalization decreased in 1997, due primarily to the effects of the repayment of $423.3 million in long-term debt and an increase in retained earnings attributable to the change in accounting policy. The ratio of cash flow to net long term debt has increased due to improved cash from operating activities and the reduction in long-term debt. The increase in cash from operating activities, partially offset by increased capital expenditures, has resulted in a slight improvement in the proportion of construction funded internally.





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CREDIT RATINGS

	1997	1996
CBRS—commercial paper	**A-1**	A-1
CBRS—debentures/notes	**A**	A
DBRS—commercial paper	**R-1 (middle)**	R-1 (middle)
DBRS—debentures/notes	**A (high)**	A (high)

TELUS Communications maintained strong credit ratings in 1997 and early 1998. In December, the Canadian Bond Rating Service (CBRS) reaffirmed TELUS Communications' commercial paper and debenture ratings with a stable outlook, citing a strong franchise area, modern network, improvements in efficiencies and a stable financial outlook. In July, the Dominion Bond Rating Service (DBRS) confirmed TELUS Communications' credit ratings for senior debentures and commercial paper, with a negative outlook. DBRS cited increasingly intense long distance competition and the future impact of local competition in 1998 as support for its outlook. The DBRS rating was reconfirmed in February 1998.

OUTLOOK

The telecommunications industry in Canada is entering the final stage of an industry wide transition to full competition that began in the early 1990's. The latest step is the opening up of the local telephone business as of January 1998. This competitive transition has been accompanied by technological advances and aided by a steady move to less regulation. In times like these, there are many uncertainties, risks, opportunities for innovation and even some confusion. However, the communications industry is proving to be an attractive one for many investors because of its continued high growth potential and opportunities for value creation.

Before we look forward, a good base of understanding can be gained by looking back at the issues and expectations for 1997 that we communicated to you a year ago.

REPORTING BACK

The key outlook issues of last year unfolded much as we expected. In last year's annual report, the following key issues were highlighted:

- ongoing competition in the long distance market
- advent of wireless digital cellular competition
- reduction in customer growth and revenue per customer in the cellular market
- regulatory rules for competition in the local telephone market
- development of new and enhanced services

Long distance competition was active and our market share erosion slowed significantly due to our competitive actions. Digital cellular had little impact in 1997, with only one of the two new competitors entering Alberta in December 1997. Cellular customer growth slowed to 24%, but we bucked the industry trend once again, and managed a slight increase in cellular revenue per subscriber. Regulatory rules for local competition were announced in May and they were viewed as being fair and balanced. Services such as high speed Internet and the Multimedia trial were launched.

The Outlook section last year contained a dozen statements on specific expectations and trends for 1997. Eleven of 12 were met. These included Alberta GDP growth of over 3%, declining revenue per minute in long distance, the goal of maintaining cellular market share in the 65-70% range and having over 400,000 cellular subscribers by year end. All these were attained.

Most of the financial expectations were met with the exception being expected revenue growth of 10% – it was 9%. This can be attributed to the divestiture of two partnership interests – Telecential and ISM Alberta. Expectations of lower per unit operating costs, higher capital expenditures and higher cash flow were achieved.

So despite the uncertainties and opportunities of an industry in transition, we managed to meet most of our objectives. However, one year's success should not make management or investors overconfident, since it remains difficult to look forward in the current environment of competitive and technological change.

KEY ISSUES FOR THE FUTURE

New issues for investors to watch in next two years include:

- possible moderation of the Alberta's strong economic growth
- increased demand for existing and new enhanced communications services spurred by lower pricing and new technology
- impact of two new cellular companies on pricing and market share
- need for TELUS Communications to offset the 4.5% productivity factor under the new four year price cap formula for local rates
- the amount of local market share that new competitors gain
- potential consolidations within the Canadian telecommunication industry, which is relatively small by North American and global standards

TELUS continues to benefit from operating in the province of Alberta, which is currently recognized as having one of the best provincial economies in Canada – with the lowest overall tax rates, government surpluses and above average economic growth. Despite low resource prices in late 1997, Alberta is forecast to have 1998 Gross Domestic Product growth higher than the just over 3% expected for Canada. The 1997 estimated GDP growth in Alberta is over 5% compared to about 4% for the rest of Canada.

Another positive aspect of telecommunications is the proliferation of new uses in the home and business that is stimulating demand. For example, second line growth is strong due use of home fax machines and use of the Internet. Overall, telephone line growth has increased to 4.7% last year, the highest rate in the last nine years. And a new Internet service like *TELUS PLAnet,* which did not exist three years ago, had 68,000 customers at year end – up 122% this year – and by year end was generating $1.3 million a month in revenue.

TELUS enters 1998 in a very strong financial position with $264 million of cash on hand, an ongoing position of free cash flow and a strong balance sheet that could comfortably allow more debt.

RISKS AND UNCERTAINTIES/COMPETITION

TELUS Communications will continue to face strong long distance competition and the beginning of local competition in 1998 – most likely in Calgary. Local competition is not authorized in Edmonton at this time. It will likely be allowed late in 1998 when TELUS Edmonton's special regulatory transition directive expires.

Each one per cent change in market share equates to an estimated revenue impact of $7 million for long distance and $5 million for local revenue.

Long distance pricing reductions also cause lost revenue. Each one cent change in revenue per minute, net of demand stimulated by lower prices, equates to an estimated $11 million of revenue. Long distance revenue per minute declined in 1997 by four cents to 25 cents. We foresee further declines in this measure as residential rates were reduced in June and business rates in September 1997 and January 1998. We cannot predict the pricing behaviour of the major competitors against whom we plan to remain price competitive.

Local competition is being introduced in 1998 under the procedures and rules outlined by the CRTC in May 1997. The impact on TELUS and other telephone companies is expected to be more gradual than when long distance competition began because of the regulatory model chosen by the CRTC – namely a facilities based one. This means that artificial regulated discounts and forced resale of much of our network and operating services to competitors is not required, as it is in the United States. New local entrants must finance and build their own networks or lease facilities from TELUS at reasonable prices.

New entrants, including cable-TV companies, will initially be drawn to the urban markets. However, the CRTC has set up a subsidy mechanism that encourages competition in the high cost areas outside the urban city centres. One key requirement for effective local competition is local number portability, where customers can take their phone number over to a competitor. It is not expected to be available until the latter half of 1998. The CRTC has not yet set out the rules on how the costs of this new system are to be shared.

Other forms of competition will begin affecting TELUS revenues and margins in 1998 – specifically digital cellular. Two national providers have begun building systems in Calgary and Edmonton, with one having a limited launch in December 1997. These new players will provide competition to TELUS' existing cellular service, the digital cellular service to be launched by mid-year and potentially to our local telephone service. These competitors have engaged in very aggressive pricing in other Canadian markets and caused consumer confusion, as we go to four competitors – up from two – and go to four different technology choices – up from one. We expect that our current TELUS Mobility EBITDA margin of 54% will be reduced this year from lower pricing and increased expenses related to acquiring and retaining customers, including higher advertising and phone subsidies.

Revenue per cellular subscriber in North America has trended sharply down, in recent years, as lower usage customers subscribe and new entrants lower prices. This trend has not occurred at TELUS Mobility due to the delay of digital competitors, a strong Alberta economy and our unique province wide footprint and usage pattern. Our 1997 cellular revenue per subscriber per month of $82 was $1 higher than a year ago and remains among the highest in North America. With new competition, we do expect this indicator to decline next year. Each $1 change equates to an estimated annual revenue change of $5 million. TELUS Mobility expects to have its market share decline from an estimated 68% – primarily from a reduced share on new growth and not from a decline in the existing base. Their goal is to keep overall market share in the 60 to 65% range.

Beginning in 1998, TELUS and the other telephone companies can compete in the cable-TV business. As a result we have set up a trial to test the economic feasibility of such a venture. TELUS Multimedia is offering high-speed data and entertainment services to 1,000 homes (potentially 3,400) in three neighbourhoods of Calgary and Edmonton. The trial results on customer acceptance and business potential are not expected until early 1999 assuming the CRTC allows the trial to continue despite delays in delivery of new generation digital modems.

Readiness for the year 2000 is a top priority at TELUS. Our products and services are provided on complex computerized networks that interconnect with numerous internal systems and with other Canadian and international telecommunications carriers. TELUS project teams have been working since late 1996 on preparing for the year 2000 and we are working with other telecommunications companies to coordinate these activities. TELUS spent approximately $8 million in 1997 on this project and approximately $30 million operations expense is planned for 1998. The goal for the year 2000 project is to have all critical systems modified and tested by the end of 1998. Further work will be required in the first half of 1999 to complete interoperable testing with third parties.

COMPETITIVE STRATEGY

In late 1996 TELUS introduced a new competitive strategy in the Alberta marketplace. Central to this is a strong brand presence and the determination to keep long distance pricing competitive. A strong visible brand in competitive markets is essential, in our view – especially when backed by high quality products, fair pricing and excellent customer service. This strategy also better positions us for customers who prefer a single point of contact for all their communications needs.

We have executed this strategy with unified advertising and a series of price adjustments in both the residential and business long distance markets. In addition, a residential price guarantee offered in mid 1997 has been successful in ensuring customers perceive TELUS as fully price competitive. The results have been gratifying with long distance market share erosion slowing to 2% in 1997 – after experiencing a 10% loss in each of the previous two years. In addition, overall market growth has been stimulated and the volume of minutes increased in 1997.

On the local side, we will pursue a price competitive approach with major competitors, while ensuring customers enjoy excellent customer service and are made aware of the benefits of doing business with a full service communications company. This strategy will see a comprehensive business rate restructuring – focussed particularly in the urban markets – in the first half of 1998. This will include local business rates and enhanced business services such as Centrex and *Megalink.*

TELUS Mobility has a unique digital strategy compared to the new entrants as it plans on extending digital services to its entire Alberta coverage footprint. The new entrants are only expected to have a digital network in Calgary and Edmonton initially and will provide analog service elsewhere via roaming agreements with the two existing cellular operators. As a result, TELUS customers will have access to enhanced digital cellular features across Alberta and not just in several major cities.

The market share goals of TELUS are to remain at or above 65% in long distance and above 60% in cellular next year, and to keep above 90% in local over the next two years.

FINANCIAL EXPECTATIONS

In 1998, TELUS expects revenue growth similar to last year's rate of 9% from a combination of cellular revenue growth, data business growth, local rate increases, partially offset by a continued reduction in long distance revenue.

Net income in 1998 will be affected by two accounting developments in the fourth quarter of 1997. First, was the write-down of assets to reflect ceasing of regulatory accounting practices. This has the affect of reducing operations,

depreciation and amortization expenses going forward into 1998 by approximately $89 million, which will increase earnings per share by 61 cents, using the year end shares outstanding. However, the adoption of the new policy on income tax accounting for Future Income Tax Assets, will reduce amortization expense by almost $18 million in 1998, and the total income tax rate in 1998 will be above the 44.6% statutory rate. This is in contrast to the more gradual ramp up in tax rate previously expected. It should be noted that neither of these accounting developments affect cash flow.

TELUS is also focussed on operations expense. There is a TELUS wide focus on all unit costs – per telephone line, per customer, per long distance minute, etc. For example, operating expenses per average telephone line decreased 4% in 1997. As reported to you last year, a major process improvement initiative for 1998 was to replace many financial and operational information systems across TELUS with one common SAP system. The new SAP system replaces over 80 existing systems. This was implemented as planned in January 1998, except in TELUS Mobility, who delayed to allow completion of a new billing system.

However, 1998 will be a difficult year to attain significant cost efficiencies because of the extra costs of preparing the local network and many processes for interconnection with competitors, reducing customer service times, year 2000 readiness costs, and adapting to the new SAP system work processes.

TELUS can expect higher cash flow in 1998 but the increase will likely not be large due to these extra expenses. There is some risk that we could pay cash taxes in 1998, but we are reasonably confident that we can reorganize our legal entity structure in 1998 to minimize this while simplifying our reporting.

LIQUIDITY AND CAPITAL RESOURCES

TELUS believes that its internally generated cash flow coupled with its ability to access external capital provide sufficient resources to finance its cash requirements during 1998. With an approximate long-term debt to total capital target of 40% and a year-end ratio of 34%, TELUS has significant capacity to raise additional debt, if needed.

TELUS Communications has $200 million of long-term notes payable coming due in July of 1998. This will likely be repaid with either the unused $400 million medium term note facility or internally generated cash or a combination of the two.

Capital expenditures should be approximately the same in 1998, as compared to the $536 million spent in 1997. However, 1997 and 1998 expenditures will be higher than previous and future years due to spending on the new digital cellular network, Multimedia trial, new SAP system, and local number portability.

TELUS has an outstanding issuer bid, which allows TELUS to repurchase up to 7.5 million of its shares by August 26, 1998. Completing this bid would adjust the capital structure back towards the long-term target and would increase earnings per share.

Based on the current situation, TELUS' financial position should remain strong in 1998.

SEGMENTED INFORMATION

While all TELUS activities fall within the telecommunications industry, the following information illustrates the relative financial results of TELUS' major subsidiaries.

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1997

(millions of dollars)	TELUS Communications	TELUS Edmonton	TELUS Mobility	TELUS Advertising Services	Others and eliminations	Consolidated totals
Revenue	$1,370.9	$304.6	$348.0	$96.2	$ (99.9)	$2,019.8
Operations expense	697.2	179.8	160.0	78.5	(52.4)	1,063.1
Depreciation and amortization	422.5	63.4	35.8	3.3	10.9	535.9
Income from operations	251.2	61.4	152.2	14.4	(58.4)	420.8
Interest expense and other						98.0
Income taxes						168.1
Income from continuing operations before extraordinary item						$ 154.7
Discontinued operations						127.3
Extraordinary item						(285.2)
Net loss						$ (3.2)
Current assets	$ 398.3	$214.7	$506.1	$37.9	$(316.2)	$ 840.8
Property, plant and equipment, net	1,920.8	410.5	247.8	10.9	59.6	2,649.6
Other assets	538.1	93.0	23.0	22.0	68.7	744.8
Total assets	$2,857.2	$718.2	$776.9	$70.8	$(187.9)	$4,235.2

1996

(millions of dollars)	TELUS Communications	TELUS Edmonton	TELUS Mobility	TELUS Advertising Services	Others and eliminations	Consolidated totals
Revenue	$1,311.0	$288.0	$255.5	$91.4	$ (85.6)	$1,860.3
Operations expense	701.9	166.7	128.4	73.9	(56.8)	1,014.1
Depreciation and amortization	326.1	57.7	25.3	2.9	26.0	438.0
Income from operations	283.0	63.6	101.8	14.6	(54.8)	408.2
Interest expense and other						133.2
Income taxes						8.1
Income from continuing operations						$ 266.9
Discontinued operations						(24.3)
Net income						$ 242.6
Current assets	$ 315.9	$141.9	$361.2	$28.0	$(358.8)	$ 488.2
Property, plant and equipment, net	2,536.4	376.0	163.2	9.5	285.6	3,370.7
Other assets	269.8	1.8	3.9	—	269.6	545.1
Total assets	$3,122.1	$519.7	$528.3	$37.5	$ 196.4	$4,404.0

QUARTERLY FINANCIAL DATA

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1997 (1,2)

(millions except earnings per share)

Three months ended	Mar 31	June 30	Sept 30	Dec. 31	Total
Operating revenues	$484.3	$502.2	$498.2	$ 535.1	$2,019.8
Operating expenses	369 9	399.7	389.1	440 3	1,599 0
Income from operations	114.4	102.5	109.1	94.8	420.8
Interest expense, net	29.2	27.2	20.7	20.1	97.2
Other (income)	(0.7)	1.5	0.7	(0.7)	0.8
Income taxes	44.7	38.4	45.7	39.3	168.1
Income from continuing operations	41.2	35.3	42.1	36.1	154.7
Discontinued operations	121.7	1.1	5.8	(1.3)	127.3
Extraordinary item	—	—	—	(285.2)	(285.2)
Net income	$162.9	$ 36.4	$ 47.9	$(250.4)	$ (3.2)
Earnings per share, continuing operations	$ 0.29	$ 0.24	$ 0.29	$ 0.25	$ 1.07
Earnings per share, net	$ 1.13	$ 0.25	$ 0.33	$ (1.73)	$ (0.02)
Average common shares outstanding	144.1	144.8	145.4	145.5	145.0

1996 (1)

	Mar 31	June 30	Sept 30	Dec. 31	Total
Operating revenues	$449.6	$454.1	$460.4	$496.1	$1,860.3
Operating expenses	348.5	355.6	355.4	392.6	1,452.1
Income from operations	101.1	98.5	105.0	103.5	408.2
Interest expense, net	37.5	34.5	34.0	34.2	140.2
Other (income)	0.1	(0.1)	(3.4)	(3.7)	(7.0)
Income taxes	2.0	1.9	2.1	2.2	8.1
Income from continuing operations	61.5	62.2	72.3	70.8	266.9
Discontinued operations	(4.8)	(5.5)	(3.0)	(10.9)	(24.3)
Net income	$ 56.7	$ 56.7	$ 69.3	$ 59.9	$ 242.6
Earnings per share, continuing operations	$ 0.43	$ 0.44	$ 0.51	$ 0.49	$ 1.87
Earnings per share, total	$ 0.40	$ 0.40	$ 0.48	$ 0.42	$ 1.70
Average common shares outstanding	141.6	142.1	142.9	143.5	142.6

1995 (1)

(millions except earnings per share)

Three months ended	Mar 31	June 30	Sept 30	Dec 31	Total
Operating revenues	$362.4	$416.4	$408.5	$447.5	$1,634.8
Operating expenses	279.0	324.6	324.4	370.7	1,298.7
Income from operations	83.4	91.8	84.1	76.9	336.1
Interest expense, net	28.9	39.8	39.4	38.1	146.2
Other (income)	(4.4)	(0.2)	(29.2)	2.1	(31.7)
Income taxes	1.9	2.0	11.6	1.8	17.3
Income from continuing operations	57.0	50.2	62.3	34.9	204.3
Discontinued operations	(3.7)	(3.4)	(3.4)	(3.2)	(13.5)
Net income	$ 53.3	$ 46.8	$ 58.9	$ 31.7	$ 190.8
Earnings per share, continuing operations	$ 0.41	$ 0.36	$ 0.44	$ 0.25	$ 1.46
Earnings per share, total	$ 0.38	$ 0.34	$ 0.42	$ 0.22	$ 1.36
Average common shares outstanding	139.4	139.7	140.2	141.0	140.1

1) Restated for discontinued operations.

2) Restated for accounting policy change.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements. Financial information presented in the Annual Report that relates to the operations and financial position of TELUS Corporation is consistent with that in the Consolidated Financial Statements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and an internal audit program. This system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Company has also established a code of ethics and corporate directives which require communication of the code to employees.

The Board of Directors carries out its responsibility for the financial statements through its Audit Committee, which consists entirely of outside members of the TELUS Board. This Committee meets at least quarterly with management, the internal auditors and the external auditors to discuss and review audit and financial matters, and recommends the financial statements to the TELUS Board for approval. The Company's internal and external auditors have full and free access to the Audit Committee.

Deloitte & Touche, the Company's external auditors, provide an independent audit of the Consolidated Financial Statements. Their examination is conducted in accordance with generally accepted auditing standards and includes tests and other procedures which allow the auditors to report on the fairness of the Consolidated Financial Statements prepared by management.

TELUS™

G.K. Petty
President and
Chief Executive Officer

G.W. Goertz
Executive Vice-President
Finance and Chief Financial Officer

Edmonton, Alberta

February 10, 1998

AUDITORS' REPORT

TELUS™

To the Shareholders of TELUS Corporation

We have audited the consolidated balance sheet of TELUS Corporation as at December 31, 1997 and 1996 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Edmonton, Alberta

February 10, 1998

TELUS™

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31 (thousands of dollars except per share amounts)	1997	1996
Operating revenues		
Local service	$ 1,195,129	$ 1,028,718
Long distance service	676,318	698,602
Other	148,376	132,969
	2,019,823	1,860,289
Operating expenses		
Operations	1,063,070	1,014,086
Depreciation and amortization	535,885	438,011
	1,598,955	1,452,097
Income from operations	420,868	408,192
Interest expense, net (Note 3)	97,167	140,181
Other	809	(6,991)
	97,976	133,190
Income before income taxes	322,892	275,002
Income taxes (Note 4)	168,140	8,119
Income from continuing operations before extraordinary item	154,752	266,883
Discontinued operations (Note 5)	127,290	(24,280)
Income before extraordinary item	282,042	242,603
Extraordinary item (Note 6)	(285,207)	—
Net income (loss)	$ (3,165)	$ 242,603
Earnings (loss) per common share		
– From Continuing Operations	$ 1.07	$ 1.87
– From Discontinued Operations	$ .88	$ (.17)
– From Extraordinary item	$ (1.97)	$ —
Net	$ (.02)	$ 1.70

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31 (thousands of dollars)	1997	1996
Retained earnings, beginning of year		
As previously reported	$ 461,388	$ 350,143
Change in accounting policy (Note 2)	399,895	—
As restated	861,283	350,143
Net income (loss)	(3,165)	242,603
Premium paid on repurchase of shares (Note 12)	(129)	—
Dividends on common shares	(133,497)	(131,358)
Retained earnings, end of year	$ 724,492	$ 461,388

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

TELUS™

For the year ended December 31 (thousands of dollars)	1997	1996
OPERATING ACTIVITIES		
Income before extraordinary item	**$ 282,042**	$ 242,603
Items not affecting cash		
Depreciation and amortization	**535,885**	438,011
Allowance for funds used during construction	**(2,706)**	(2,526)
Amortization of workforce reduction costs	**38,548**	35,903
Gain on disposal of discontinued operations	**(190,290)**	—
Future income taxes	**158,653**	—
Other	**(26,681)**	(1,423)
Sinking fund earnings	**(10,039)**	(9,134)
	785,412	703,434
Net change in non-cash working capital	**62,385**	(70,199)
Cash provided by operating activities	**847,797**	633,235
Cash provided by operating activities related to discontinued operations	**14,106**	22,177
Dividends	**(133,091)**	(130,768)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(423,298)**	(285,678)
Sinking fund contributions	**(2,000)**	(2,000)
Issue of common shares, net	**36,060**	42,907
Cash used by financing activities	**(389,238)**	(244,771)
Cash provided (used) by financing activities related to discontinued operations	**(32,874)**	3,490
INVESTING ACTIVITIES		
Capital expenditures	**(535,871)**	(394,691)
Items not affecting cash	**5,756**	9,775
Proceeds from sale of assets	**8,519**	28,667
Other	**(875)**	(16,081)
Cash used by investing activities	**(522,471)**	(372,330)
Cash provided (used) by investing activities related to discontinued operations	**403,035**	(91,343)
Increase (decrease) in cash	**187,264**	(180,310)
Cash and short-term deposits, beginning of year	**76,369**	256,679
Cash and short-term deposits, end of year	**$ 263,633**	$ 76,369

CONSOLIDATED BALANCE SHEET

TELUS™

As at December 31 (thousands of dollars)	1997	1996
ASSETS		
Current		
Cash and short-term deposits	**$ 263,633**	$ 76,369
Accounts receivable	**369,838**	346,417
Current portion of future income taxes (Notes 2 and 4)	**147,784**	—
Inventories for resale	**39,879**	40,335
Prepaid expenses and other	**19,669**	25,048
	840,803	488,169
Property, plant and equipment, net (Note 7)	**2,649,569**	3,370,725
Other assets		
Deferred charges (Note 8)	**10,440**	107,002
Investments (Note 9)	**19,352**	20,488
Sinking fund assets (Note 10)	**112,189**	100,150
Other	**46,221**	49,057
Future income taxes (Notes 2 and 4)	**493,014**	—
Goodwill (Note 2)	**63,604**	268,451
	744,820	545,148
	$ 4,235,192	$4,404,042
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 435,295**	$ 375,720
Dividends payable	**33,461**	33,055
Service billed in advance	**77,735**	71,920
Current portion of long-term debt (Note 11)	**265,418**	266,009
	811,909	746,704
Deferred credits		
Deferred revenue	**95,390**	113,793
Deferred income taxes (Note 2)	**—**	9,525
	95,390	123,318
Long-term debt (Note 11)	**1,030,471**	1,511,588
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	**1,572,930**	1,536,870
Cumulative foreign currency translation adjustment	**—**	24,174
Retained earnings	**724,492**	461,388
	2,297,422	2,022,432
	$ 4,235,192	$4,404,042

On Behalf of the Board:

Director: Harold Milavsky   Director: James Palmer

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997

TELUS™

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry. These statements conform in all material respects with International Accounting Standards.

The term "Company" is used to mean TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries and partnerships.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

a. Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of its 50%-owned partnerships. Principal wholly-owned subsidiaries are TELUS Communications Inc., TELUS Edmonton Holdings Inc. (including its wholly-owned subsidiaries TELUS Communications (Edmonton) Inc. and TELUS Advertising Services (Edmonton) Inc.), TELUS Mobility Inc., TELUS Advertising Services Inc., TELUS Marketing Services Inc., TELUS Advanced Communications Inc. and TELUS Information Services Inc. The 50% interest in Telecential Communications and ISM Information Systems Management (Alberta) partnerships were disposed of during 1997 (Note 5).

All significant intercompany transactions have been eliminated.

b. Regulatory Accounting Principles

In the fourth quarter of 1997, TELUS Communications Inc. ceased the use of those regulatory accounting practices (RAP) which were applicable to regulated telephone companies in Canada and replaced them with generally accepted accounting principles (GAAP). These accounting changes were required due to recent developments in the Canadian regulatory environment and are more fully described in Note 6.

c. Regulation

TELUS Communications Inc., TELUS Communications (Edmonton) Inc. and TELUS Mobility Inc. are regulated under the *Telecommunications Act* by the Canadian Radio-television and Telecommunications Commission (the "CRTC"). In its role as regulator of TELUS Communications Inc. and TELUS Communications (Edmonton) Inc., the CRTC has traditionally practiced earnings regulation, setting the allowed rate of return, approving tariffs, and approving interconnection and working agreements with other carriers. It also periodically issues directives which affect the accounting treatment of specific items in the companies' accounts and reviews TELUS Communications Inc. construction program and intercorporate transactions. TELUS Mobility Inc. is subject to regulation for all cellular, paging and personal communications services with respect to network access and privacy issues and agreements with foreign carriers.

To assist TELUS Communications (Edmonton) Inc. and TELUS Advertising Services (Edmonton) Inc. in the transition to CRTC regulation, the Governor General in Council issued a Directive specifying certain terms and conditions on which the CRTC will regulate the local exchange and directory operations until October 1998. The CRTC has advised that a proceeding will be initiated to examine the regulatory framework for TELUS Communications (Edmonton) Inc. when the Directive expires.

Telecom Decision CRTC 95-21 ("Decision 95-21") implemented the interim regulatory framework set out in Telecom Decision CRTC 94-19 ("Decision 94-19") applicable to TELUS Communications Inc. to be effective from January 1, 1995 until January 1, 1998. Decision 95-21 split TELUS Communications Inc.'s rate base into a Utility segment subject to earnings regulation and a Competitive segment subject to reduced regulatory overview.

Telecom Decision CRTC 97-9 ("Decision 97-9") established the framework for price cap regulation to commence January 1, 1998 for TELUS Communications Inc.. The classification of TELUS Communications Inc.'s Utility segment services into capped and uncapped categories received interim approval in Telecom Decision CRTC 97-18 ("Decision 97-18"). TELUS Communications Inc. also received interim approval for a rate rebalancing increase of $1.10 for local residential services in Decision 97-18, and interim approval of the percent subsidy requirement by rate band based on the interim residential service rates. The CRTC is expected to issue its final decision on these matters on March 1, 1998.

d. Financial Instruments

The Company's financial instruments consist of cash and short-term deposits, accounts receivable, investments, sinking fund assets, accounts payable and accrued liabilities, dividends payable and long-term debt.

The carrying value of cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities and dividends payable approximate their fair values due to the immediate or short-term maturity of these financial instruments. The fair values of the Company's sinking fund assets are determined by quoted market prices at the balance sheet date. The fair value of the Company's long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities, as disclosed in Note 11 (f).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its short-term deposits, sinking fund assets and long-term debt. When appropriate, the Company has used derivative instruments to reduce its exposure to interest rate risk. At December 31, 1997, the Company has no derivative financial instruments outstanding.

The Company is exposed to credit risk with respect to its short-term deposits and sinking fund assets. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other credit worthy counter-parties. An ongoing review is performed to evaluate changes in the status of counter-parties.

The Company is exposed to credit risk with respect to its accounts receivable, however, this is minimized by the Company's large customer base which covers all business sectors in Alberta. The Company follows a program of credit evaluations on customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

e. Inventories for Resale

Inventories for resale are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

f. Property, Plant and Equipment

Property, plant and equipment is recorded at original cost and includes materials, direct labor and certain overhead costs associated with construction activity. TELUS Communications Inc. also includes an allowance for funds utilized during construction which provides for a return on total capital invested in new telephone plant during the construction period. This allowance reduces current interest expense and is expected to be realized over the service life of the plant.

Materials and supplies are valued at average cost.

g. Depreciation

Depreciation is provided on a straight-line basis using rates determined by a continuing program of engineering studies, calculated to allocate to operations the cost of groups of property with equal service lives over the estimated useful lives of the groups. TELUS Communications Inc.'s and TELUS Communications (Edmonton) Inc.'s depreciation rates are subject to review and approval by the CRTC. The composite depreciation rate for the year ended December 31, 1997 was 9.51% (1996 – 7.79%).

When depreciable property, plant and equipment is sold by the Company, the original cost less accumulated depreciation is netted against the sale proceeds and the difference is included in the Consolidated Statement of Income. When depreciable property, plant and equipment is retired by TELUS Communications Inc. and TELUS Communications (Edmonton) Inc., the original cost of retired property is charged to accumulated depreciation and any disposal proceeds less the costs of removal, are taken into income.

h. Investment in Leases

Unearned finance income related to sales-type leases is recognized over the lease term to produce a constant rate of return on the investment in the lease.

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i. Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to their identifiable net assets less the amount deducted in 1997 in accordance with the retroactive accounting policy change for income taxes (see Note 2). The goodwill, which arose from the acquisition of TELUS Edmonton Holdings Inc. in March 1995, is being amortized on a straight-line basis over a 12 year period. As there have been no material changes to the operating lines of business of TELUS Edmonton Holdings Inc. since acquisition, management estimates the value of the goodwill to be not less than the unamortized balance at December 31, 1997.

j. Deferred Charges

Discounts on long-term debt are amortized to interest expense on a straight-line basis over the remaining lives of the related liabilities. Where interest coupons and residuals are held as separate investments in sinking funds, discounts are amortized over the period to maturity or call date so as to produce a constant rate of return on the investments. Other deferred charges are amortized to Operating Expenses on a straight-line basis.

k. Deferred Revenue

Deferred revenue relates primarily to contributions from the Government of Alberta under the Individual Line Service program, which is recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Service Billed in Advance in the Consolidated Balance Sheet.

l. Translation of Foreign Currencies

Monetary assets and liabilities of the Company's Canadian operations denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets and liabilities and items affecting earnings are converted at rates of exchange in effect at the date of the transaction. Gains or losses arising from translation of non-current monetary items are deferred and amortized over the remaining lives of the assets and liabilities.

m. Income Taxes

Commencing January 1, 1997, the company and its subsidiaries adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants (see Note 2).

Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Prior to January 1, 1997, the company and its subsidiaries, other than TELUS Communications (Edmonton) Inc. and the Utility segment of TELUS Communications Inc. used the deferral method of accounting for income taxes. TELUS Communications (Edmonton) Inc. and the Utility segment of TELUS Communications Inc., as directed by the CRTC, used the deferral method except that adjustments to income tax assets or liabilities for changes to the statutory income tax rates were taken into earnings in the year in which the change occurred. Where such a treatment would have a significant impact on net income, the CRTC may have considered a longer amortization period.

n. Research and Development

Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. Deferred development costs are amortized over the life of the commercial production or, in the case of serviceable property, plant and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. Research and development costs incurred during the year amounted to $70,526,000 (1996 – $54,570,000).

2. CHANGE IN ACCOUNTING POLICY

In the fourth quarter of 1997, the Company changed its policy for accounting for income taxes and the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants were adopted effective January 1, 1997. The provisions were applied retroactively without restatement of prior period financial statements. At January 1, 1997, Future Income Tax Assets of $569,659,000 were recorded and the deferred income tax liability of $9,500,000 was reversed. The Future Income Tax Assets included $179,264,000 related to subsidiaries that were acquired prior to January 1, 1997 and accordingly, this amount reduced the goodwill previously recorded for such acquisitions. The remaining balance of the Future Income Tax Assets in the amount of $399,895,000 (of which the current portion is $205,052,000) has been credited to Retained Earnings at January 1, 1997.

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3. INTEREST EXPENSE

Year ended December 31 (thousands of dollars)	1997	1996
Interest: Long-term debt	**$115,827**	$157,363
Other	**2,218**	1,075
	118,045	158,438
Less: Sinking fund income	**10,039**	9,134
Allowance for funds used during construction	**2,706**	2,526
Interest income	**8,133**	6,597
	20,878	18,257
	$ 97,167	$140,181

4. INCOME TAXES

As described in Notes 1(m) and 2, the Company changed its method of accounting for income taxes at January 1, 1997.

The balance of future income taxes at December 31, 1997 represents the future benefits of temporary differences between the tax and accounting bases of assets and liabilities, consisting mainly of Additional Tax Deductions (ATD's) and losses available to be carried forward for tax purposes to the extent that they are likely to be realized.

The Company is entitled to a portion of the benefit of income tax savings, which will result from the utilization, by TELUS Communications Inc. of its ATD's. The CRTC determined the amount of this shareholder entitlement. The entitlement is being recognized by the Company as increased revenue in the Consolidated Statement of Income. Revenues in respect of the entitlement recognized during the year amounted to $32,014,000 (1996 – $26,600,000). In 1997, the CRTC approved payment of the remaining balance of $32,538,000 in 1998.

Revenues in respect of Shareholder Entitlement for TELUS Communications (Edmonton) Inc., amounted to $21,000,000 in each of the years 1997, 1996 and 1995. The total Shareholder Entitlement is estimated to be $175,000,000 and will be recorded pursuant to a schedule to be approved by the CRTC.

Major components of income tax expense before extraordinary item and discontinued operations are as follows:

Year ended December 31 (thousands of dollars)	1997	1996
Current tax	**$ 33,613**	$8,119
Future income tax	**134,527**	—
	$168,140	$8,119

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the income taxes actually provided in the accounts:

Year ended December 31	1997 (thousands of dollars)	(%)	1996 (thousands of dollars)	(%)
Income before income taxes	**$322,892**		$ 275,002	
Statutory income tax	**$144,074**	**44.6**	$ 122,706	44.6
Adjusted for the effect of:				
Allowance for funds used during construction	—	—	(700)	(0.1)
Realization of additional tax deductions	—	—	(109,301)	(39.7)
Non-deductible portion of amortization of acquired assets	**2,960**	**1.0**	3,760	1.4
Other	**13,431**	**4.1**	(16,465)	(6.0)
Income taxes before the undernoted	**160,465**	**49.7**	—	—
Large corporations tax	**7,675**	**2.4**	8,119	3.0
Income taxes	**$168,140**	**52.1**	$ 8,119	3.0

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5. DISCONTINUED OPERATIONS

On March 11, 1997, the Company sold its 50% interest in Telecential Communications Inc. (Telecential) which resulted in an after tax gain of $123,890,000. Telecential is involved in cable TV and telephone operations in the U.K.

On July 2, 1997, the Company sold its 50% interest in ISM Information Systems Management (Alberta) (ISMA) which resulted in an after tax gain of $4,775,000. ISMA provides information technology services to customers in the Province of Alberta.

For reporting purposes, the results of operations of Telecential and ISMA have been disclosed separately from those of continuing operations for the year ended December 31, 1997 and the comparative balances for 1996 have been restated. The results of discontinued operations are summarized below:

Year ended December 31 (thousands of dollars)	**1997**	1996
Operating revenues	**$ 30,839**	$ 54,905
Operating loss	**(1,375)**	(24,280)
Gain on disposal of discontinued operations (net of income taxes of $61,625,000)	**128,665**	—
	$127,290	$(24,280)

The assets and liabilities of discontinued operations are as follows:

As at December 31 (thousands of dollars)	**1997**	1996
Current assets	**$ —**	$ 33,284
Property, plant and equipment	**—**	266,631
Other assets	**—**	1,577
Current liabilities	**—**	74,822
Long-term liabilities	**—**	20,226

6. EXTRAORDINARY ITEM

As disclosed in Note 1(b), in the fourth quarter of 1997, TELUS Communications Inc. ceased the use of those regulatory accounting practices (RAP) which were applicable to regulated telephone companies in Canada and replaced them with generally accepted accounting principles (GAAP). The accounting changes resulted from certain recent developments in regulation of the Canadian telecommunications industry, an industry which has been significantly impacted by the introduction of competition in the local exchange market.

The major development was that the CRTC revised the method of regulation for telephone companies. Instead of the traditional rate of return regulation involving the recovery of costs through rates charged to customers, the CRTC has approved an incentive form of regulation involving the setting of price caps. Under price cap regulation, the Company is not assured of recovering costs through its rates, thus, certain regulatory assets which were assets under the cost recovery method of regulation must be expensed or written-down to realizable values under price cap regulation.

As a result of the discontinuance of regulatory accounting practices, TELUS Communications Inc. recorded a fourth quarter extraordinary non-cash after-tax charge of $285,207,000 comprised of the following:

(thousands of dollars)	Before Tax	After Tax
Write-down of net carrying values of property, plant and equipment	$442,700	$245,167
Elimination of regulatory asset – restructuring costs	72,300	40,040
	$515,000	$285,207

In conjunction with the discontinuance of regulatory accounting practices, and, to better reflect the rapid market and technological changes existing in the industry, TELUS Communications Inc. has revised its estimated useful lives of property, plant and equipment as follows:

	Average Life (Years)		
	1996	1997	1998
Towers	31	18	18
Switching – digital	14	10	10
Transmission – digital	15	11	11
Underground cable	25	18	15
Buried cable	25	22	18
Customer drops	25	21	21
Switching and administrative software	5	5	3

7. PROPERTY, PLANT AND EQUIPMENT

December 31 (thousands of dollars)	Cost	1997 Accumulated Depreciation	1997 Net Book Value	1996 Net Book Value
Buildings	$ 596,786	$ 293,360	$ 303,426	$ 389,345
Network equipment and outside plant	4,017,470	2,231,287	1,786,183	2,361,333
General equipment and other	952,776	599,361	353,415	477,070
	5,567,032	$3,124,008	2,443,024	3,227,748
Land	49,954		49,954	50,266
Plant under construction	150,731		150,731	80,667
Materials and supplies	5,860		5,860	12,044
	$5,773,577		$2,649,569	$3,370,725

8. DEFERRED CHARGES

December 31 (thousands of dollars)	1997	1996
Restructuring costs	$ —	$ 95,057
Discounts on long-term debt and other	10,440	11,945
	$10,440	$107,002

In 1997, TELUS Communications Inc. recorded $15,791,000 (1996 – $26,093,000) to provide, primarily, for restructuring costs during the year. Restructuring costs were amortized on a five year basis as approved by the CRTC and were included in operating expenses. The remaining unamortized balance at the end of 1997 was written off and included in extraordinary item (see Note 6).

The amount of amortization recorded in 1997 for these programs was $38,548,000 (1996 – $35,903,000).

9. INVESTMENTS

December 31 (thousands of dollars)	1997	1996
Carried at written down cost –		
Alouette Telecommunications Inc./ Telesat Canada	$ 19,352	$ 19,352
Other	—	1,136
	$ 19,352	$ 20,488

The fair values of the investments at December 31, 1997 and December 31, 1996 were estimated to be greater than their recorded values.

10. SINKING FUND ASSETS

Sinking fund assets relate to the Company's notes payable and consist of the following:

December 31 (thousands of dollars)	1997	1996
Debentures, at amortized cost:		
Government of Canada, direct and guaranteed	$ 43,930	$ 39,553
Alberta Government Telephones Commission	56,031	50,841
	99,951	90,394
Short-term deposits	12,213	9,726
Accrued interest	25	30
	$112,189	$100,150

Assets in the sinking fund have an approximate market value of $124,376,000 as at December 31, 1997 (1996 – $116,364,000).

The sinking fund assets have a weighted average effective interest rate of 9.9% (1996 – 10.1%) and the debentures have maturity dates between November 1999 and May 2000.

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11. LONG-TERM DEBT

December 31 (thousands of dollars)	1997	1996
Notes Payable:		
9.30% due January 1997	$ —	$ 200,000
9.80% due July 1997	—	200,000
9.90% due July 1998	**200,000**	200,000
12.00% due November 1999 (see (a) below)	**50,000**	50,000
11.80% due May 2003 (see (a) below)	**150,000**	150,000
Other Notes with interest between 7.375% and 12.00% and maturing between 1996 and 2004 (see (b) below)	**98,331**	116,852
	498,331	916,852
9.50% Series A Debentures due August 2004 (see (c) below)	**200,000**	200,000
8.80% Series B Debentures due September 2025 (see (c) below)	**200,000**	200,000
Non-interest bearing loans	**4,895**	4,442
Capital leases payable (see (d) below)	**5,000**	32,604
Non-recourse bank loans	—	35,181
Bank Credit Facility (see (e) below)	**385,000**	385,000
Other	**2,663**	3,518
	797,558	860,745
	1,295,889	1,777,597
Less: Current portion	**265,418**	266,009
	$1,030,471	$1,511,588

a. The outstanding 12.00% (due November 1999) and 11.80% (due May 2003) notes are secured by sinking fund assets of the Company. In accordance with note terms, these notes require annual sinking fund contributions of 1.00% of the principal amounts outstanding until one year prior to maturity. The 11.80% note has an early redemption provision at the Company's option during the three years prior to maturity. The other notes are unsecured.

b. The Other Notes with interest between 7.375% and 12.00% are unsecured debt obligations of TELUS Edmonton Holdings Inc. which are supported by a negative pledge respecting that Company's assets and certain new issue tests. TELUS Edmonton Holdings Inc. has undertaken to defease by December 31, 1999 all payments of principal and interest which would otherwise occur after January 1, 2000. The defeasance of these notes has been reflected in the long-term debt repayments.

c. The outstanding 9.50% Series A Debentures (due August 2004) and 8.80% Series B Debentures (due September 2025) are issued under the TELUS Communications Inc. trust indenture dated August 24, 1994 and a supplemental trust indenture dated September 22, 1995 relating to Series B Debentures only. These debentures are not secured by any mortgage, pledge or other charge. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of $16,760,000 which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in the current year of 8.79% (1996 – 8.79%).

d. The capital leases have a weighted average interest rate of 6.00% (1996 – 9.42%).

e. The Company established a $500,000,000 five year variable interest rate unsecured credit facility on January 4, 1995. The composite interest rate, on the outstanding credit facility balance as at December 31, 1997 was 4.32% (1996 – 3.64%). During 1996 an additional $200,000,000 revolving credit facility was established and a $400,000,000 shelf prospectus, to permit public issues of medium term notes, was registered by TELUS Communications Inc..

f. The estimated fair value of the long-term debt at December 31, 1997 is $1,439,366,000 (1996 – $1,886,209,000).

g. Anticipated requirements to meet long-term debt repayments and sinking fund provisions during the next five years from December 31, 1997 are as follows:

(thousands of dollars)	Requirement for Long-Term Debt Repayments and Sinking Fund Provisions	Requirement to be met by Sinking Fund Assets
1998	$267,418	$ —
1999	191,759	33,984
2000	291,241	—
2001	2,518	—
2002	3,072	—

12. SHARE CAPITAL

Authorized Share Capital

Unlimited number of First Preferred Shares, issuable in series
Unlimited number of Second Preferred Shares, issuable in series
Unlimited number of Common Shares

Issued Share Capital

December 31	**1997** Number of Shares	**1997** Amount (thousands of dollars)	1996 Number of Shares	1996 Amount (thousands of dollars)
Common Shares				
Beginning of Year	**143,719,149**	**$1,536,870**	141,153,184	$1,493,963
Exercise of stock options	**476,661**	**8,028**	378,349	5,406
Dividend Reinvestment and Share Purchase Plan	**895,615**	**18,361**	1,595,876	26,799
Employee Share Purchase Plan	**452,565**	**9,755**	591,740	10,702
Normal course issuer bid	**(7,400)**	**(84)**	—	—
End of Year	**145,536,590**	**$1,572,930**	143,719,149	$1,536,870

Stock Option Plans

The Company has stock option plans under which directors, officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting.

Year Granted	Options granted	Options Outstanding	Average Exercise Price
1997	670,330	627,250	$ 20.14
1996	717,300	568,000	$ 16.56
1995	379,600	177,700	$ 16.49
1994	387,000	242,900	$ 16.44
1993	406,527	38,571	$ 12.88
1991	177,840	8,400	$ 15.00

The Company issued 670,330 (1996 – 717,300) options to purchase common shares through the stock option plans during 1997 at an average price of $20.14 (1996 – $16.56) per share. The quoted closing market price of TELUS shares at December 31, 1997 was $31.70 per share (1996 – $19.90 per share). Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. Pursuant to a stock exchange approved grant of options with a 60 day exercise period, no additional options were granted in 1997 (1996 – nil). To fund the purchase of shares on the exercise of 60 day options granted in 1995, 1994 and 1993, the Company provided loans which are non-interest bearing, repayable over five years and secured by the common shares issued upon the exercising of these options. The loan balance at December 31, 1997 is $112,000 (1996 – $261,100).

Employee Share Plan

The Company has an employee share plan under which eligible employees can purchase common shares through regular payroll deductions by contributing between 2% and 6% of pay. In 1997, the Company contributed two dollars for every five dollars contributed by an employee. In 1996, the Company contributed one dollar for every three dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 1997, the Company contributed $5,029,508 (1996 – $2,670,000) to this plan. All common shares issued to employees under the plan during the year were purchased at fair market value.

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Dividend Reinvestment and Share Purchase Plans

The Company has a Dividend Reinvestment Plan and Share Purchase Plan under which eligible shareholders may acquire additional common shares through the reinvestment of dividends and optional cash payments. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under these Plans, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market and for reinvested dividends has the option of offering a 5% discount from the market price. Beginning in July 1997, the Company ceased offering shares and eliminated the 5% discount.

Normal Course Issuer Bid

On August 22, 1997 the Company had a Normal Course Issuer Bid accepted by the Toronto Stock Exchange and Montreal Stock Exchange to repurchase up to 7,500,000 common shares at market prices during the 12 month period ending August 26, 1998. Under this bid, the Company repurchased 7,400 shares in 1997 for a total cost of $213,000.

13. COMMITMENTS

(i) The Company is a member of Stentor, a strategic alliance with other Canadian telecommunications companies to coordinate the operation and maintenance of the national public telecommunications network, to develop and market new products and to standardize service offerings. Stentor's operating costs are borne by member companies in proportion to their interest in the alliance. The Company is committed to providing a maximum of $51,900,000 to Stentor in 1998 (1997 – $55,700,000).

(ii) The Company has entered into an agreement for the provision of data processing services. The 1998 cost under this agreement is expected to be approximately $46,000,000 (1997 – $52,399,000).

14. SEGMENT INFORMATION

The Company operates principally in the telecommunications industry in the Province of Alberta.

15. PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

a. TELUS (excluding TELUS Edmonton Holdings Inc.)

The Company maintains contributory and non-contributory defined benefit final pay pension plans that cover substantially all employees. The plans provide pensions based on length of service and final average earnings.

Actuarial reports prepared for the Company for 1997 estimated the actuarial value of the net assets available for benefits and the accrued pension benefits as follows:

December 31 (thousands of dollars)	**1997**	1996
Net assets available (at market-related values)	**$1,901,156**	$1,761,876
Accrued pension benefits	**$1,621,683**	$1,501,889

The contributory pension plan has certain terms and conditions which limit its ability to utilize surplus in the plan to reduce future contributions. As a result, pension expense is not impacted by the excess of pension fund assets. Pension expense recorded for the year ended December 31, 1997 totalled $28,062,000 (1996 – $26,867,000).

In addition to providing pension benefits, the Company provides certain disability and group life insurance benefits for all eligible employees. The cost of these benefits is determined by an independent actuary and the annual funding requirements are paid into specific trusts. Based on recommendations from the actuary, the Company's 1997 contributions for certain employee benefit plans were reduced by $2,800,000 (1996 – $6,000,000). The normalized cost of these employee benefits is included in Operations Expense and the contribution reduction is included in Other in the Consolidated Statement of Income.

b. TELUS Edmonton Holdings Inc.

During 1997 the employees of TELUS Edmonton Holdings Inc. participated in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Public Sector Pension Plans Act. The plan is a multi-employer defined benefit pension plan administered by the Province of Alberta. The Company and its employees made contributions to the plan at prescribed rates which included additional contributions required to eliminate an unfunded liability which was previously identified. For the year ended December 31, 1997, the Company recorded pension expense of $4,292,000 (1996 – $4,849,000) associated with the LAPP. This amount included payments for past service, as the legislation relating to the LAPP required additional contributions to be paid annually to ensure the elimination of the unfunded liability for the pre-1992 service by December 31, 2036. The Province was required to fund 30% of the unfunded liability, while employers and members were required to fund 35% each.

As a result of the Province of Alberta enacting regulations to permit withdrawal, effective December 31, 1997, the Company has withdrawn from the LAPP and implemented the TELUS Edmonton Pension Plan (TEPP) which is a defined benefit pension plan, the terms of which are substantially the same as the LAPP.

Early in 1998, the TEPP received an initial transfer of assets of $117,600,000 which were transferred from the LAPP. This amount is subject to adjustment to reflect the LAPP position at December 31, 1997 once it is finalized. Based on an estimate of the total assets to be transferred, and using actuarial assumptions consistent with those of the TELUS Pension Plan, the TEPP actuary projected that the TEPP had an unfunded liability of $8,171,000 which will be amortized over fifteen years. Commencing in 1998, annual payments of $870,000 are required to finance the unfunded liability based on the preliminary estimates. Employees will not be required to fund pre-1998 liabilities of the TEPP.

16. COMPARATIVE FINANCIAL STATEMENTS

Certain comparative financial information has been reclassified to conform with the 1997 presentation.

HISTORICAL SUMMARY

TELUS™

	1997	1996	1995	1994	1993	1992	1991
INCOME STATEMENT							
(millions)							
Local revenues	**$ 1,195.1**	$1,028.7	$ 797.6	$ 539.4	$ 472.2	$ 410.0	$ 394.1
Long distance revenues	**676.3**	698.6	709.7	713.7	691.8	681.9	732.4
Other revenues	**148.4**	133.0	127.5	94.0	94.2	95.4	111.4
Total operating revenues	**2,019.8**	1,860.3	1,634.8	1,347.0	1,258.2	1,187.3	1,237.9
Total operating expenses	**1,599.0**	1,452.1	1,298.7	1,035.4	966.4	951.6	972.2
Income from operations	**420.8**	408.2	336.1	311.7	291.8	235.7	265.7
Interest and other	**98.0**	133.2	114.5	87.1	104.9	53.8	74.8
Income taxes	**168.1**	8.1	17.3	6.2	5.3	4.1	7.5
Income from continuing operations before extraordinary item	**154.7**	266.9	204.3	218.4	181.7	177.8	183.4
Discontinued operations	**127.3**	(24.3)	(13.5)	(6.7)	(1.2)	—	—
Extraordinary item	**(285.2)**	—	—	—	—	—	—
Net income (loss)	**(3.2)**	242.6	190.8	211.7	180.5	177.8	183.4
BALANCE SHEET							
(millions)							
Total plant investment	**$ 5,767.7**	$5,853.9	$5,571.3	$4,578.5	$4,298.5	$4,159.8	$3,998 7
Accumulated depreciation	**3,124.0**	2,495.3	2,251.4	1,688.4	1,524.0	1,460.2	1,392.6
Total assets	**4,235.2**	4,404.0	4,571.8	3,562.5	3,313.6	3,255.1	3,300.6
Long term debt	**1,030.5**	1,511 6	1,867 0	1,177.0	1,066 7	1,069.8	1,157 9
Common equity	**2,297.4**	2,022.4	1,848.3	1,759.5	1,667.3	1,615.6	1,565.3

	1997	1996	1995	1994	1993	1992	1991
FINANCIAL STATISTICS							
Interest coverage	**3.74**	2.74	2.28	2.98	2.66	2.54	2.51
% Debt to total capitalization	**36.1**	46.8	52.6	42.2	40.7	39.9	43.9
% Net debt to total capitalization (net of sinking funds)	**34.1**	45.3	51.5	40.7	39.2	38.5	38.0
Capital expenditures, continuing operations (millions)	**$ 535.9**	$ 394.7	$ 392.3	$ 398.0	$ 332.8	$ 368.1	$ 352.6
Capital expenditures, total (millions)	**$ 535.9**	$ 486.0	$ 462.9	$ 440.2	$ 352.6	$ 368.1	$ 352.6
Earnings per share, continuing operations	**$ 1.07**	$ 1.87	$ 1.46	$ 1.57	$ 1.31	$ 1.28	$ 1.33
Earnings (loss) per share, total	**$ (0.02)**	$ 1.70	$ 1.36	$ 1.52	$ 1.30	$ 1.28	$ 1.33
Cash flow (millions)	**$ 785.4**	$ 703.4	$ 633.4	$ 522.0	$ 448.7	$ 363.9	$ 353.4
Cash flow per share	**$ 5.42**	$ 4.93	$ 4.52	$ 3.75	$ 3.22	$ 2.63	$ 2.56
Dividends declared per share	**$ 0.92**	$ 0.92	$ 0.92	$ 0.92	$ 0.92	$ 0.92	$ 0.89
Return on common equity	**0.0%**	12.5%	10.5%	12.3%	11.0%	11.1%	11.8%
Closing share price	**$ 31.70**	$ 19.90	$ 16.00	$ 15.88	$ 16.00	$ 13.00	$ 15.75

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	1997	1996	1995	1994	1993	1992	1991
OTHER STATISTICS							
Network access lines (000's)							
TELUS Communications	**1,386.9**	1,323.0	1,277.4	1,233.7	1,194.4	1,156.7	1,128.7
TELUS Edmonton	**461.6**	442.8	424.8	—	—	—	—
Long distance messages (millions)	—	—	511.2	510.9	464.5	431.3	400.7
Long distance minutes (millions)	**2,139.4**	2,034.8	2,114.2	—	—	—	—
Total regular employees, continuing operations	**8,972**	8,858	8,717	6,893	7,513	9,753	10,201
Total regular employees	**8,972**	9,539	9,225	7,295	7,739	9,753	10,201
Total payroll, continuing operations (millions)	**$ 525.0**	$ 485.3	$ 448.5	$ 371.3	$ 382.9	$ 456.9	$ 460.0
Cellular:							
Subscribers (000's)	**408.7**	328.4	237.8	113.4	71.7	49.1	34.2
Average revenue per subscriber per month	**$ 82**	$ 81	$ 81	$ 84	$ 79	$ 75	$ 67
Average minutes use per subscriber per month	**211**	193	167	146	131	128	145
Average subscriber churn per month	**1.2%**	1.7%	1.6%	1.3%	1.6%	1.7%	1.9%
Paging subscribers (000's)	**45.0**	33.0	27.5	16.8	13.1	10.7	9.4

Certain comparative financial information has been reclassified to conform with the 1997 presentation.

CORPORATE INFORMATION

TELUS™

TELUS CORPORATION is Canada's third largest telecommunications company, with 9,000 employees and assets of $4.2 billion.

The TELUS companies provide integrated services and solutions for consumers and businesses including local phone service, long distance, data, wireless, Internet, multimedia and advertising services through our wholly-owned subsidiaries.

TELUS COMMUNICATIONS is the largest subsidiary of the TELUS group, providing voice, data and visual communications services to connect Albertans with the world.

TELUS COMMUNICATIONS (EDMONTON) provides voice and data communications in the local Edmonton market, as well as telecommunications systems and equipment in expanding Alberta markets.

TELUS MOBILITY is Alberta's leading supplier of wireless mobile voice and data communications, through cellular, paging and private radio systems.

TELUS ADVERTISING SERVICES publish White and *Yellow Pages* directories and provide direct marketing, electronic information, and advertising services primarily to Alberta business.

TELUS ADVANCED COMMUNICATIONS provides high-speed, reliable management solutions to Alberta businesses.

CANADIAN MOBILITY PRODUCTS provides cellular and paging equipment wholesale distribution services for the Mobility Canada carriers in Western Canada.

TELUS MARKETING SERVICES offers a full range of turn-key call centre services and specializes in outbound customer contact inbound customer response and market research.

TELUS EXECUTIVE OFFICERS

George Petty – President and Chief Executive Officer

Gary Goertz – Executive Vice President Finance and Chief Finance Officer

Frank Parrotta – Executive Vice President Corporate Development

George Addy – Executive Vice President and Chief General Counsel

Allan Scott – Executive Vice President

Harry Truderung – Executive Vice President

Don Romaniuk – Executive Vice President

James Drinkwater – Vice President and Treasurer

Kerry Day – Corporate Secretary and General Counsel

COMPANY PRESIDENTS

Allan Scott – President and Chief Operating Officer, TELUS Communications, TELUS Communications (Edmonton)

Harry Truderung – President and Chief Executive Officer, TELUS Mobility

Don Romaniuk – President and Chief Operating Officer, TELUS Advertising Services, TELUS Advertising Services (Edmonton)

Greg Casault – President, Canadian Mobility Products

Tracy Bertsch – President, TELUS Marketing Services

Bob Mahood – President, TELUS Advanced Communications

TELUS BOARD OF DIRECTORS

TELUS maintains high standards of corporate governance. TELUS is in material alignment with all the corporate governance guidelines adopted by The Toronto Stock Exchange (TSE) and those of the Montreal Exchange, which substantially parallel those of the TSE. Full disclosure with respect to the TSE Governance Committee guidelines is contained in the Information Circular of TELUS, prepared for the Annual and Special General Meeting to be held April 30, 1998.

The main corporate governance practices followed by TELUS involve the assumption by the Directors of responsibility for stewardship of the Corporation. TELUS also supports good corporate governance through practices directed at the responsibilities, composition and independence of the Board and its committees. Eleven of the 13 TELUS Directors named below are "unrelated" in accordance with the TSE guidelines.

The Nominations and Corporate Governance Committee is responsible for the appointment, assessment and continuing education of Directors. The compensation of Directors is also periodically reviewed in light of the risks and responsibilities involved. Since mid-1996, a significant portion of the Directors' compensation has been paid in TELUS shares. This policy is directed at furthering the alignment of the Board with the interests of shareholders.

The names of the current Directors, their business backgrounds and current committee responsibilities are set out on the next page.

DIRECTOR BIOGRAPHIES

• **ROY A. BICKELL** was involved with the Canfor Corporation for 36 years, retiring as President and Chief Operating Officer in 1991. From 1994 to 1996 he was Vice President of Ainsworth Lumber Co. Ltd., and is currently President of Agrifibre Industries Inc. He is also Senior Advisor with Grande Alberta Paper Ltd. and is involved in various consulting activities.

★ @ **R. JOHN BUTLER, Q.C.** is counsel to Bryan & Company and serves as special legal advisor to several major Alberta corporations. Previously, he was a partner and consultant to other major Alberta law firms. He specializes in corporate matters, including acquisitions, finance, land law and contract law. John has served on the Board of ED TEL (Edmonton Telephones) for many years, prior to its acquisition by TELUS. He is a member of the Board of Directors of the Edmonton Eskimos Football Club.

+ @ **HARLEY N. HOTCHKISS** has business interests in oil and gas, real estate, agriculture and professional sports. A professional geologist, he has held a number of professional and executive positions in the energy sector and is a member of several professional associations. He serves on the Boards of Alberta Energy Company Ltd., Jascan Resources Inc., Landin Resources Ltd. and Nova Corporation. He is Chairman of the Board of Governors of the National Hockey League, holds an Honourary Doctor of Laws degree from the University of Calgary and is an Officer of the Order of Canada.

@ **NORMAN H. KIMBALL** is a partner in and President of L & N Investments Inc., an investment holding company. Active in sports management, he is President of Kan Alta Golf Management Ltd. and a director of Grand Prix F1 du Canada Inc. which organizes and operates the Canadian Grand Prix. A 28-year career in football included 19 years as General Manager and Executive Manager of the Edmonton Eskimo Football Club and President and part owner of the Montreal Alouettes. In 1991 he was inducted to the Canadian Football League Hall of Fame as a Builder.

• @ **RICK J. LELACHEUR** is the Chairman of the Workers' Compensation Board - Alberta. He recently ended a 5-year term as the President and Chief Executive Officer of Economic Development Edmonton. Prior to that position, he enjoyed a 25 year career in the moving and storage business. Rick held a number of positions, including President and CEO of Pickfords WorldWide Moving, and as director and officer of Allied Van Lines for many years, including a 5-year term as Chairman of the Board. Rick is currently the Chairman of the Compensation Committee.

+ • **JACK A. MACALLISTER** currently serves as director Emeritus of US West Inc . He was Chairman and Chief Executive Officer of U.S. West Inc. from 1983 to May 1992. His career in the American telecommunications industry spans over 40 years, including the Presidency of Northwestern Bell during the restructure of the Bell system.

★ + **JOANNE L. MCLAWS** is a Vice-President of Nesbitt-Burns Inc. Previously, Joanne held several positions in the financial field, including Director and Vice President of Research Capital Corporation from October 1986 to November 1991. Joanne is currently on the board of the Alberta Stock Exchange and is a past director of Alberta Opportunity Company, the Investment Dealer's Association of Alberta, Mount Royal College, Strathcona Tweedsmuir School and the Alberta Children's Hospital Foundation.

★ @ **HAROLD P. MILAVSKY** is the Chairman of Quantico Capital Corporation, a privately held company engaged in merchant banking, principal investments and acquisitions. He is also a director of Citadel Diversified Management Ltd., Enmax Corporation (formerly the City of Calgary Electric System), Encal Energy Ltd., Prime West Energy Inc., and Nova Corporation of Alberta. Harold is Chairman of the Audit Committee.

• **WALTER B. O'DONOGHUE** is a partner in Bennett Jones Verchere. He has acted as lead partner in a number of significant transactions including the privatization of AGT, PWA (Canadian Airlines) and Petro Canada Inc., the acquisition by Canadian Airlines of CP Air and the restructuring of Canadian Airlines. In addition, Walter serves as director for Gibson Petroleum Company Ltd., Athabasca Oil Sands Investments Inc., Gulf Canada Resources Ltd., Wolcott Gas Processing Ltd., Rayrock Yellowknife Resources Ltd. and is a member of the Alberta Securities Commission.

★ • **ESTHER S. ONDRACK** has had a career of over 30 years with Chieftan International, Inc. and its predecessor companies and is currently Senior Vice President, Corporate Secretary, and a director. In addition, she is an active volunteer in the community, having served on the boards of several institutions and organizations in the arts, health care and education sectors.

+ @ **JAMES S. PALMER, Q.C.** is Chairman of the Calgary law firm Burnet, Duckworth & Palmer and has been an active member of the legal community for many years. James is a board member of Westcoast Energy, Wintershall Oil Corporation, TrentonWorks Ltd., Magellan Aerospace Corporation, Canadian Natural Resources Limited, Rogers Sugar Income Trust (Trustee), Remington Energy, Peters & Co., Wainoco Oil, and Bank of Canada. Active in community affairs, James has served as Chancellor of the University of Calgary (U of C), Chairman of the U of C Building on Vision campaign and President of the Calgary Philharmonic Society. James has been Chairman of the TELUS Board since 1995 and he is Chairman of the Public Policy and External Relations Committee.

GEORGE K. PETTY is the President and Chief Executive Officer of TELUS. Prior to assuming leadership at TELUS in November 1994, he enjoyed a 25 year career with AT&T, holding various positions, including Vice-President of Global Business Services for AT&T and Chairman of the Board of World Partners, the Global Telecom Alliance. George became a TELUS director in 1994 and is also a director of CAE Inc. and Research Technology Management Inc., Governor of the University of Calgary and Vice-Chairman of the Edmonton Opera.

★ + **RON TRIFFO, P. ENG.** is President and Chief Executive Officer and a director of Stanley Technology Group Inc an international professional services company that he has been with for over 20 years. Ron is also a director of Alberta Treasury Branches. He is a past President of the Consulting Engineers of Alberta and the Association of Consulting Engineers of Canada. Ron served as a director and was Board Chairman of ED TEL (Edmonton Telephones Corporation) prior to its acquisition by TELUS. Ron is currently Chairman of the Nominations and Corporate Governance Committee.

TELUS™

★ Audit Committee

+ Nomination and Corporate Governance Committee

• Compensation Committee

@ Public Policy and External Relations Committee

INVESTOR INFORMATION

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VOLUME OF SHARES

	1991	1992	1993	1994	1995	1996	**1997**
Volume of Shares Traded (millions)(1)	96.8	98.8	71.4	73.5	90.0	106.6	**117.6**
Registered Shareholders (2) (3)	52,708	65,617	56,696	52,114	50,111	46,461	**44,418**

(1) Including installment receipts traded in 1991 and 1992.

(2) The Canadian Depository for Securities (CDS) represents one registration and holds securities for institutions. In 1997, it was estimated that we had over 60,000 non-registered shareholders. At the end of 1997 CDS held 73% of TELUS' 145.5 million shares.

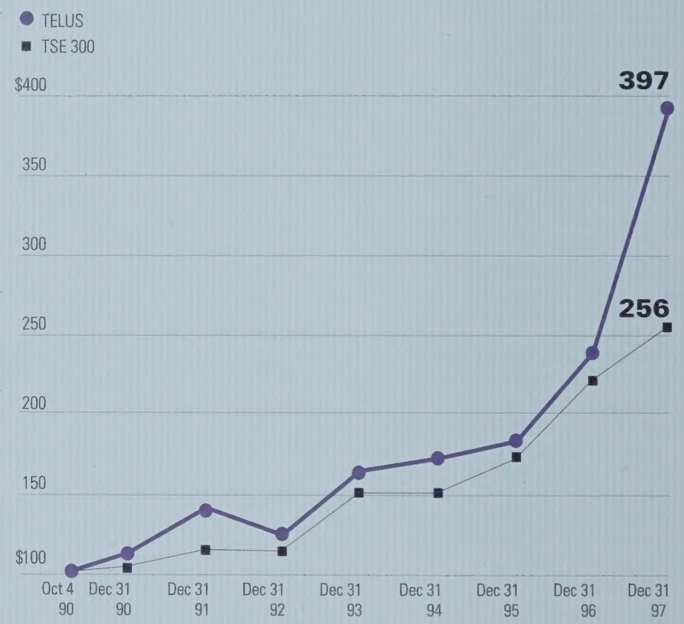
(3) Including installment receipt holders in 1991.

IMPORTANT DATES–EARNINGS AND DIVIDENDS

	1998 Expected Dividend Record Dates	1998 Expected Dividend Payment Dates	1998 Expected Dividend Release Dates
Q1	March 24	April 15	April 29
Q2	June 22	July 15	July 24
Q3	September 23	October 15	October 26
Q4	December 23	January 15, 1999	February 1999

TOTAL RETURN PERFORMANCE (7 YEARS)

The following graph shows the yearly change in cumulative shareholder total return (price change plus reinvested dividends) assuming $100 was invested at the initial offering price of $12. This is compared to investing $100 in the Toronto Stock Exchange's top 300 companies.



investor information

if you need help related to the following:

- changes of address
- transfer of shares
- option to receive quarterly information by mail
- loss of TELUS share certificates
- consolidation of multiple mailings to one shareholder
- estate settlements
- dividend payments or direct deposit of dividends into your Canadian bank account
- participation in Dividend Reinvestment and Share Purchase Plan

please contact the transfer agent and registrar:

- 1-800-558-0046 (toll-free in North America)
- (403) 267-6592 fax
- (403) 267-6555 (within Calgary, Alberta and outside North America)

Montreal Trust Company – Shareholder Services
600, 530 - 8th Avenue, SW, Calgary, Alberta T2P 3S8, CANADA

Montreal Trust also has offices in Vancouver, Edmonton, Regina, Winnipeg, Toronto, Montreal and Halifax.

if you need help related to the following:

- additional financial or statistical information
- industry and company developments
- fax-on-demand information available toll-free

please contact investor relations

- 1-800-667-4871 (toll-free in North America)
- (403) 498-7311 (outside North America)
- (403) 498-7399 fax:
- e-mail: ir@telus.com
- Internet web site: http://www.telus.com

John Wheeler – TELUS - Investor Relations
30, 10020 - 100th Street NW, Edmonton, Alberta T5J 0N5, CANADA

ownership

At December 31, 1997 TELUS shares were widely held by 44,418 registered shareholders and by a larger number of non-registered shareholders. In 1990 and 1991, the Government of Alberta sold all of its shares of TELUS.

listed on

Toronto Stock Exchange   Montreal Exchange   Alberta Stock Exchange

trading symbol

TELUS Common Shares - T

auditors

Deloitte & Touche, Edmonton

dividend reinvestment and share purchase plan

Shareholders wishing to acquire additional TELUS shares without fees, can take advantage of this plan, which provides a convenient method to acquire additional shares.

Under the Dividend Reinvestment feature eligible shareholders can have their dividends reinvested automatically.

Under the Share Purchase feature eligible shareholders can on a monthly basis buy TELUS shares (maximum of $20,000 per calendar year and minimum $100 per transaction) at the market price without brokerage commissions or service charges.

Information booklets are available from Montreal Trust.

annual & special meeting of shareholders

Thursday, April 30, 1998
10 a.m.
TELUS Convention Centre
MacLeod Hall, 120 9th Ave. S.E.
Calgary, Alberta

10020-100 Street NW, Edmonton, Alberta T5J 0N5
www.telus.com

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